



U.S. General Services Administration

FISCAL YEAR  
**2003**

*Annual Performance and Accountability Report*

CREATING A SUCCESSFUL FUTURE AT GSA



*The journey continues towards global solutions*

# HOW TO USE THIS REPORT

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**T**his Performance and Accountability Report for fiscal year (FY) 2003 provides the General Services Administration's (GSA) financial and performance information, enabling the President, Congress and the American people to assess the agency's performance as provided by the requirements of the:

- Reports Consolidation Act of 2000 and other laws;
- Government Management Reform Act of 1994;
- Government Performance and Results Act of 1993;
- Chief Financial Officers Act of 1990; and,
- Federal Managers' Financial Integrity Act (FMFIA) of 1982.

The assessment of GSA's performance contained in this report compares performance results to the agency's strategic goals and performance goals. GSA's Strategic Plan, Performance Plan, and annual Performance and Accountability Reports are available on GSA's Web site at [www.gsa.gov/annualreport](http://www.gsa.gov/annualreport). GSA welcomes feedback on the form and content of this report. From our Web site choose the "Contact Us" button, and the Office of the Chief Financial Officer from the pull-down list.

This report is organized into the following major components:

## 1 LETTER FROM THE ADMINISTRATOR OF GSA

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The Administrator's letter includes an assessment on the reliability and completeness of the financial and performance information presented in the report and a statement of assurance on the agencies management controls as required by the FMFIA.

## 2 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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This section provides an overview of the financial and performance information contained in the Performance Section, Financial Section and Appendices. The MD&A includes an overview of the GSA organization, highlights of the Agency's most important performance goals and results, current status of systems and internal control weaknesses and other pertinent information such as the progress being made by GSA in implementing the President's Management Agenda (PMA) and the key management challenges identified by the Office of Inspector General (OIG).

## 3 PERFORMANCE SECTION

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This section provides the annual performance information as required by Office of Management and Budget (OMB) Circular A-11 and the Government Performance and Results Act (GPRA). Included in this section is a detailed discussion and analysis on the agency's performance in FY 2003. For each Service and major Office, the results are presented by each Performance Goal within the six GSA Strategic Goals.

## 4 FINANCIAL SECTION

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This section contains the details on GSA's finances in FY 2003. An introduction letter from GSA's Chief Financial Officer (CFO), followed by the Independent Auditor's Report, the Agency's audited financial statements and other supplemental financial information containing the Inspector General's response to the management challenges facing GSA, and information on the agency's Debt Management, Payments Management, Erroneous Payments and intra-government balances.

## 5 APPENDICES

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A discussion of the data sources used in this report, summary chart of performance information, and a glossary of acronyms.

## MISSION STATEMENT

GSA HELPS FEDERAL AGENCIES BETTER SERVE THE PUBLIC BY OFFERING, AT BEST VALUE, SUPERIOR WORKPLACES, EXPERT SOLUTIONS, ACQUISITION SERVICES AND MANAGEMENT POLICIES.

## STRATEGIC GOALS

PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

ACHIEVE RESPONSIBLE ASSET MANAGEMENT

OPERATE EFFICIENTLY AND EFFECTIVELY

ENSURE FINANCIAL ACCOUNTABILITY

MAINTAIN A WORLD-CLASS WORKFORCE AND A WORLD-CLASS WORKPLACE

CARRY OUT SOCIAL, ENVIRONMENTAL AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY

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# LETTER FROM THE ADMINISTRATOR

## FY 2003 PERFORMANCE AND ACCOUNTABILITY REPORT

In 2001, GSA associates embarked on a performance improvement initiative to “Create a Successful Future at GSA.” This ongoing initiative focuses on improving GSA’s organizational capabilities and performance in providing services to other federal agencies enabling them to achieve their missions of service to the American people. Now, clear signs of our progress toward that successful future are very apparent. We have successfully implemented a rigorous Performance Management Process throughout the agency and we are working collaboratively together, as a team, to achieve the challenging, customer-focused goals we have set for ourselves.

The successful future that is emerging is one in which we are not only meeting the increasing needs of federal agency customers for our traditional services of providing superior workplaces and acquisition management services, but we are also meeting the emerging needs for new services, including providing Internet access directly to the American people for a more efficient means of obtaining information, completing transactions and interacting with their government.

For example, the vision of providing Internet access to citizens seeking information about government programs or completing transactions became a reality in FY 2003 as GSA launched its FirstGov.gov Web site becoming a single portal or “front-door” to the federal government. This was one of the President’s Management Agenda eGov initiatives called, “USA Services.” The FirstGov.gov Web site accommodated more than 60 million visits in FY 2003 and this rate is expected to grow rapidly. Also in FY 2003, USA Services handled 2.5 million telephone inquiries and 100,000 e-mails. Federal agencies can rely on GSA’s USA Services system to provide an integrated approach for providing information about government agencies to the public rather than having each agency develop their own separate system. As a result of USA Services, GSA helped federal agencies save approximately \$21 million in FY 2003.



Additionally, GSA has actively participated in other eGov initiatives to improve efficiency and better serve the public, including the following:

- GSA established the “Government without Boundaries” pilot, which developed an interoperable approach to provide federal, state and local parks and recreation information at a single Web site called “Recreation One-Stop.” Vacationers will be able to find all the information they need in one place.

- GSA established a partnership with Los Angeles County so that they can add information about local programs and resources to the federal GovBenefits Web site. This means that Los Angeles County citizens can go to this Web site to learn about benefits available from all levels of government.

- GSA helped establish an intergovernmental Board of Directors to coordinate the sharing of geospatial data maintained by federal, state and local governments. This information, which was formerly created by surveyors and printed on maps, is now obtained through satellites and advanced telemetry and is crucial to many government functions including Homeland Security.

Finally, another example of new services provided by GSA is the fact that GSA managed the disbursement of \$650 million to state governments as required by the Help America Vote Act. This money enables states to purchase modern technology for conducting elections.

FY 2003 was an exceptional year for GSA in terms of the volume of products and services that federal agency customers, both military and civilian, called upon us to provide.

GSA supply operations are a component of the National Supply System, the global logistics network that sustains the Department of Defense in times of peace and in times of war. Our shipments are linked with military supply chains. GSA shipments from the distribution centers have increased

*Continued on following page*

\$124 million over FY 2002. This increase is due primarily to military deployment activities.

In support of the rapid deployment of troops in Afghanistan, the GSA Express Store in Kaiserslautern, Germany expedited the air shipment of a variety of vitally needed supplies, including first aid kits. The GSA Express Store in Sigonella, Italy provided primary supply support to the Navy in the Mediterranean and Gulf Theater.

In support of Operation Iraqi Freedom, the Eastern Distribution Center became a primary source of supply for military personnel serving in Iraq and the Persian Gulf. Military being deployed sharply increased their emergency orders, particularly during January. We expedited thousands of orders for same day shipment/next day delivery.

Both military and civilian agencies used GSA's Multiple Award Schedule Contracts to acquire over \$14 billion of Information Technology products and services in FY 2003, eight percent higher than FY 2002.

GSA worked in partnership with the Department of Homeland Security to establish their temporary National Headquarters in Washington. This included furniture, furnishings and office support for housing for more than 600 associates, including the Homeland Undersecretary and Assistant Secretaries. Work was accomplished in four phases, including the design of space, contract award, procurement and installation of furniture. We also provided telecommunications and support for move-in.

In the area of telecommunication services, during FY 2003, the low prices GSA has negotiated for the Network Services Long Distance Program under the FTS 2001 contracts saved federal agencies an estimated \$506 million compared to the cost which would be incurred using typical rates of a representative, large commercial contract. Depending on the category of service, savings range from 31% to 67% below best comparable prices with an average savings of 56% below commercial pricing.

One of GSA's newest responsibilities stems from a new law enacted to help state and local governments save money by authorizing them to purchase information technology products and services from contractors on GSA's Federal Supply Service Multiple Award Schedule. The regulatory action to implement the authority contained in Section 211 of the Cooperative

Purchasing Act was completed in May 2003. To date, over 710 contractors have signed up to participate in cooperative purchasing. GSA is conducting outreach and training through state and local government purchasing associations.

The Reports Consolidation Act of 2000 requires each agency head to assess the completeness and reliability of the financial and performance data used in the report. I am pleased to report that the data contained in this report is complete and reliable. The data gathered through the Public Buildings Service STAR system has been a concern, but the quality is improving.

During FY 2003, GSA management uncovered cases where certain GSA associates failed to follow proper acquisition procedures in some Federal Technology Service Clients Support Centers. This information was turned over to GSA Inspector General for further investigation. We have taken disciplinary and remedial action and will continue to do so to maintain the integrity of our acquisition programs.

We are pleased that for the 16th consecutive year, independent auditors have given our financial statements a clean opinion. However, the opinion of the independent auditors on the effectiveness of GSA's Internal Control over financial reporting identified areas of non-conformance related to our newly implemented financial management system. Except for this non-conformance and two prior year non-conformances, I certify that GSA's management control systems, taken as a whole, provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA), Section 2 and Section 4 and the Federal Financial Management Improvement Act (FFMIA), are being achieved. This matter and other pertinent issues are discussed further in the Management Controls, Systems and Compliance with Laws section of this report.

I invite you to review this performance and accountability report to learn more about the accomplishments of GSA associates during FY 2003 and our plans for the future.



*Stephen A. Perry*  
Administrator

*December 18, 2003*

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# Management's Discussion and Analysis





## MISSION, VALUES AND GOALS

**GSA** has been carrying out its mission to acquire and provide goods, services and facilities in support of the needs of Federal agencies for 53 years.

### GSA MISSION STATEMENT

GSA HELPS FEDERAL AGENCIES BETTER SERVE THE PUBLIC BY OFFERING, AT BEST VALUE, SUPERIOR WORKPLACES, EXPERT SOLUTIONS, ACQUISITION SERVICES AND MANAGEMENT POLICIES.

The agency's mission is strongly rooted in GSA's original authorizing legislation, the Property and Administrative Services Act of 1949. By consolidating the federal government's real estate, supply and other management support functions, agencies run more efficiently thereby providing savings and other benefits to the taxpayers. GSA also works with all the federal departments and agencies to establish management policies that will lead to greater success in the future. Today for the great majority of functions, agencies are able to determine for themselves whether GSA's centralized services are their best value as these have become "non-mandatory."

The mission of GSA comes to life as its associates are guided by GSA's values.

The importance of these values was underscored this year when contracting irregularities came to light in a Federal Technology Service (FTS) regional office. When this occurred, the GSA Inspector General was requested to conduct an audit, which found a number of improper practices. Once the problems were known, GSA's response was forged by its values, particularly, "Ethics and integrity in all we do," and "Professionalism."

### GSA VALUES

ETHICS AND INTEGRITY IN EVERYTHING WE DO  
 —  
 RESPECT FOR FELLOW ASSOCIATES  
 —  
 RESULTS ORIENTATION  
 —  
 TEAMWORK  
 —  
 PROFESSIONALISM

### STRATEGIC GOALS

PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS  
 —  
 ACHIEVE RESPONSIBLE ASSET MANAGEMENT  
 —  
 OPERATE EFFICIENTLY AND EFFECTIVELY  
 —  
 ENSURE FINANCIAL ACCOUNTABILITY  
 —  
 MAINTAIN A WORLD-CLASS WORKFORCE AND A WORLD-CLASS WORKPLACE  
 —  
 CARRY OUT SOCIAL, ENVIRONMENTAL AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY

## ORGANIZATION

GSA's path to a successful future is outlined by the six GSA-wide strategic goals. These goals were established to provide a broad framework from which to build a foundation for specific performance goals and provide a context for the long-term outcomes for which GSA is striving. In the Performance Section GSA will report how well it is doing against each of these goals for every Service and Office.

The strategic goals also provide a bridge from GSA's internal management to the President's Management Agenda (PMA) (page 16). For example, under the eGov initiative GSA is harnessing the power of the Internet to provide information to citizens and its customers and to process transactions. The Internet is leading GSA into the twenty-first century. GSA manages FirstGov.gov, the award-winning official Web portal of the government. It pulls together more than 180 million federal and state government pages. Here, the public can get easy-to-understand information and services from the government 24 hours a day, seven days a week.

The public can also use FirstGov.gov's Citizen Gateway to transact business with the government and to access information on topics such as Social Security, taxes, surplus government property and more. Citizens can send e-mail via "Contact Us." Just click on Uncle Sam on the FirstGov.gov home page. GSA works closely with other federal agencies and state governments to make information easily navigated by the public. This means additional traffic for agency Web sites. The journey continues toward global solutions.

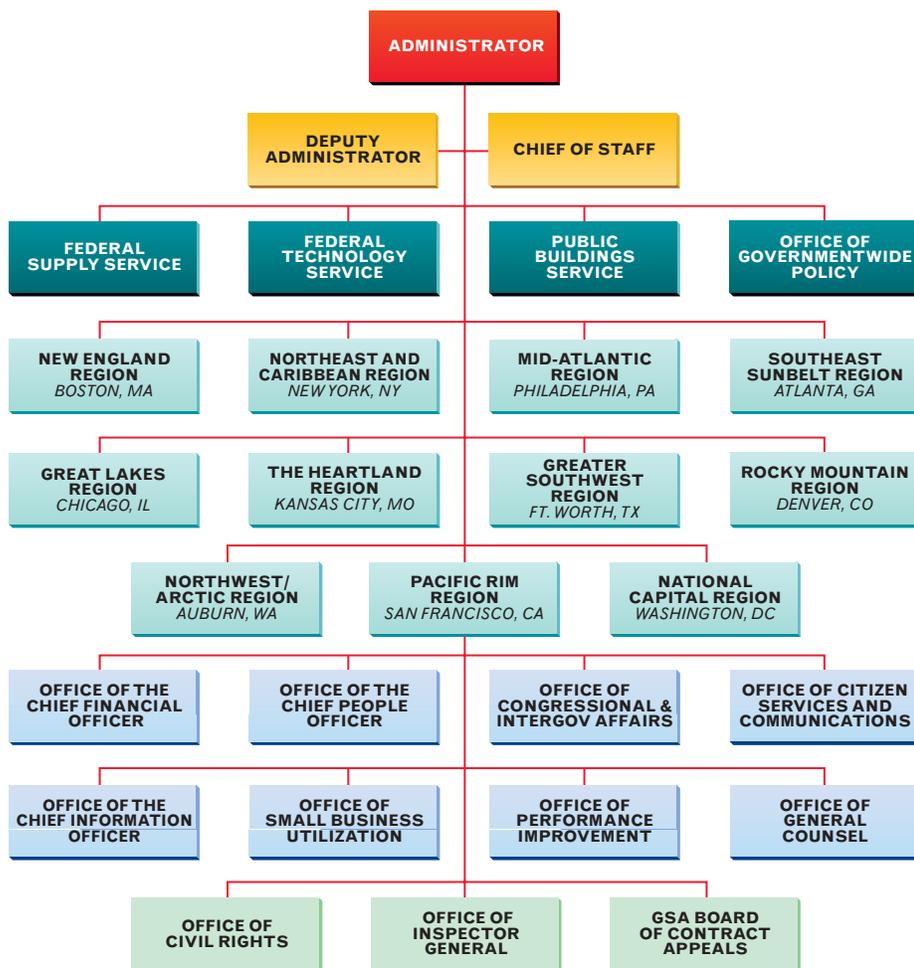
The basic foundation of any business or agency is its organizational structure. GSA provides goods and services and develops policy through a network of 11 regional offices and a central office in Washington, DC. The Central Office consists of three services responsible for coordinating nationwide programs; two offices that support federal agencies and citizen-oriented organizations, respectively; and eight staff offices that support the GSA organization.

- **PUBLIC BUILDINGS SERVICE (PBS):** PBS is the largest public real estate organization in the nation and a provider of workspace and workplace solutions to more than 100 federal agencies.

PBS's mission is to provide a superior workplace for the federal worker and superior value for the U.S taxpayer. The challenge of managing the dynamic tension between these two objectives is at the heart of GSA's business processes.

PBS conducts two fundamental activities. The first is space acquisition, either by lease or construction. It translates needs into discrete requirements, marshals the necessary resources and sees that the space is delivered. The second fundamental activity is life-cycle management of space. This involves making decisions on maintenance, servicing tenants and ultimately, deciding when and how to dispose of a property at the end of its useful life.

- **FEDERAL SUPPLY SERVICE (FSS):** FSS manages a large diverse marketplace in which hundreds of thousands of federal customers are brought together with more than 9,000 contractors. FSS has five business lines. *Commercial Acquisition* provides federal customers access to more than four million services and products. *Travel and Transportation* provides a broad range of services from discount airfares to express delivery of packages to freight. *Vehicle Acquisition and Leasing Services* buys over 58,000 vehicles annually and manages a worldwide fleet of over 185,000 vehicles. *Personal Property Management* reassigns

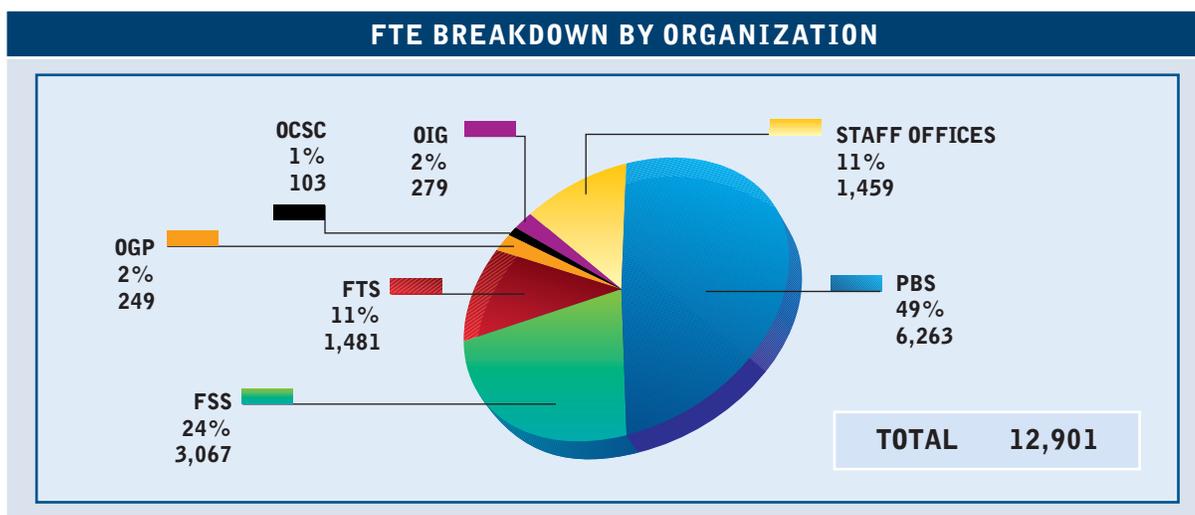


or sells such items as furniture, computers and equipment no longer needed by the government. *Global Supply* maintains an inventory of over 7,000 items that can be shipped in large quantities at short notice.

■ **FEDERAL TECHNOLOGY SERVICE (FTS):** FTS provides information technology (IT) solutions and telecommunications to federal agencies and other authorized users. FTS connects agencies with private sector providers through contracts that leverage government buying power to provide sophisticated IT and telecommunications products and services at competitive prices.

■ **OFFICE OF GOVERNMENT-WIDE POLICY (OGP):** OGP provides a policy infrastructure that supports federal agencies in the management of property, technology and administrative services.

■ **OFFICE OF CITIZEN SERVICES AND COMMUNICATIONS (OCSC):** OCSC is aimed at creating a more citizen-centric, results-oriented federal government. OCSC has opened the way for citizens to interact with government by creating a single electronic front door to the services and information they require in the medium they prefer: the Web, email, telephone, fax or print.

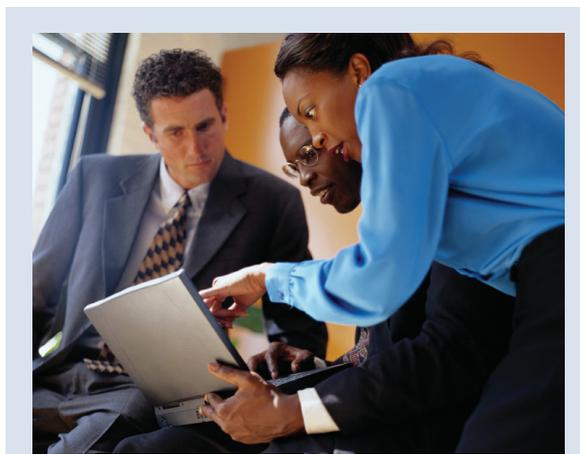


Central Office and the regions are supported by a number of Staff Offices:

- The **OFFICE OF THE CHIEF PEOPLE OFFICER (OCPO)** provides human capital strategic direction, human resources (HR) support and related functions.
- The **OFFICE OF THE CHIEF INFORMATION OFFICER (OCIO)** guides the development and management of GSA IT.
- The **OFFICE OF THE GENERAL COUNSEL (OGC)** provides legal support and policy guidance.
- The **OFFICE OF PERFORMANCE IMPROVEMENT (OPI)** identifies, develops and executes changes that will enhance GSA management, particularly with respect to competitive sourcing.
- The **OFFICE OF SMALL BUSINESS UTILIZATION (OSBU)** provides opportunities for small and disadvantaged businesses to participate in government acquisition.
- The **OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS (OCIA)** operates as a liaison between GSA and Congress.
- The **BOARD OF CONTRACT APPEALS (BCA)** hears and decides contract disputes between government contractors and GSA or other executive agencies.

- The **OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO)** conducts the performance process including strategic planning, budgeting and the performance management cycle within GSA, manages GSA's core accounting system, prepares financial statements and reports, develops policies and performs financial operations.

In FY 2003, GSA had 12,901 full-time equivalent employees (FTE). Staffing levels have been consistent since 1998. However, in early FY 2003 the Federal Protective Service and the Federal Computer Incident Response Center, representing over 500 FTE, were transferred to the Department of Homeland Security (DHS). A detailed discussion of the transfer of functions can be found in Note 13 of the Financial Statements on page 159.



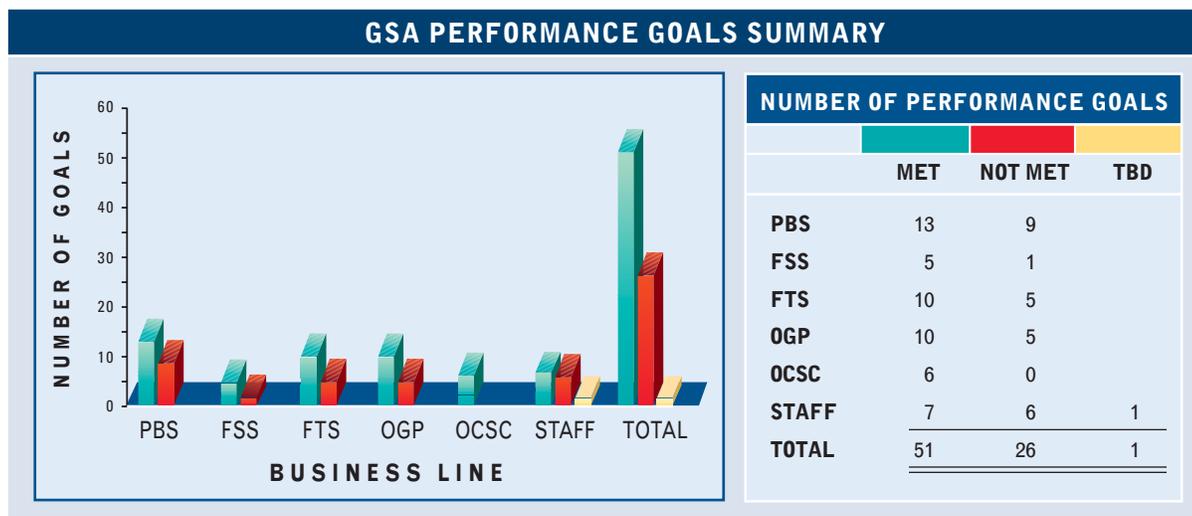
*Our associates are partners in GSA's business success.*

## PERFORMANCE SUMMARY AND HIGHLIGHTS

During FY 2003, GSA performed its mission by pursuing its six agency-wide strategic goals, listed on page 9 which reflect the breadth of the Agency's mission. The GSA FY 2003 Performance Plan (available online at [www.gsa.gov](http://www.gsa.gov)) outlines the specific performance goals undertaken to fulfill the strategic goals. Specific performance measures are established within each performance goal as a gauge for meeting these goals. The six strategic goals are inter-related and accordingly many of the performance goals apply to more than one strategic goal.

This section highlights the most significant GSA-wide FY 2003 performance goals identified by GSA management and related performance results. A chart of Key Performance Measures follows the discussion. Detailed performance information for all GSA Services and Offices is contained in the Performance Section.

The chart below of Key Performance Measures and the table that follows show that, in general, GSA met or exceeded expectations for 65 percent of its FY 2003 performance goals. GSA is becoming more sophisticated in its use of the Performance Measurement Tool (PMT) system to closely track results. Future plans include fully incorporating performance measures into the performance evaluations of individual associates. Plans also include utilizing the Performance Management Process (PMP) to integrate budget and performance and focus on long-term outcomes. Additional information on all performance goals with past results can be found in the Performance Section beginning on page 33 and in Appendix II, The Summary Chart of Goals and Measures beginning on page 189.



## FY 2003 KEY PERFORMANCE MEASURES WITHIN STRATEGIC GOAL

STRATEGIC GOAL/ SERVICE OR OFFICE	MEASURES	FY 2003 TARGET	FY 2003 ACTUAL
<b>PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS</b>			
Public Buildings Service	Percent of Ordering Officials that are highly satisfied in their business dealings with PBS	68%	72%
Public Buildings Service	Percent of tenants that rate the PBS leased space and services as satisfactory or better	85%	89%
Public Buildings Service	Cost of leased space relative to market	14.25%	7.41%
Federal Supply Service	Percent growth in Federal agency usage of the FSS programs over FY 2002's \$27.3B	3.66% \$28.3B	23.8% \$33.8B
Federal Technology Service	Percent of FTS satisfied customers as indicated on annual customer survey	75%	79.5%
Federal Technology Service	Percent of task and delivery orders subject to the fair opportunity process	80%	85%
<b>ACHIEVE RESPONSIBLE ASSET MANAGEMENT</b>			
Public Buildings Service	Percent of non-revenue producing space in PBS inventory	11.5 %	11.1%
Public Buildings Service	Percent of government-owned assets achieving a positive "Funds from Operations"	82%	73%
<b>OPERATE EFFICIENTLY AND EFFECTIVELY</b>			
Federal Technology Service	Percent of negotiated award dates for services and commodities that are met or bettered	90%	91%
<b>ENSURE FINANCIAL ACCOUNTABILITY</b>			
Office of Chief Financial Officer	Percent of vendor invoices received electronically by Electronic Data Interchange (EDI) through the Internet	50%	44%
Office of Chief Financial Officer	Percent of vendor payments made by electronic media such as Electronic Funds Transfer and purchase credit card	81%	88%
<b>MAINTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE</b>			
Office of the Chief People Officer	Percentile rank in the Gallup Q12 survey which measures the culture of the agency	67th percentile	75th percentile
<b>CARRY OUT SOCIAL, ENVIRONMENTAL AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY</b>			
Office of Small Business Utilization	Percentage of contracting opportunities provided to small business	40%	TBD

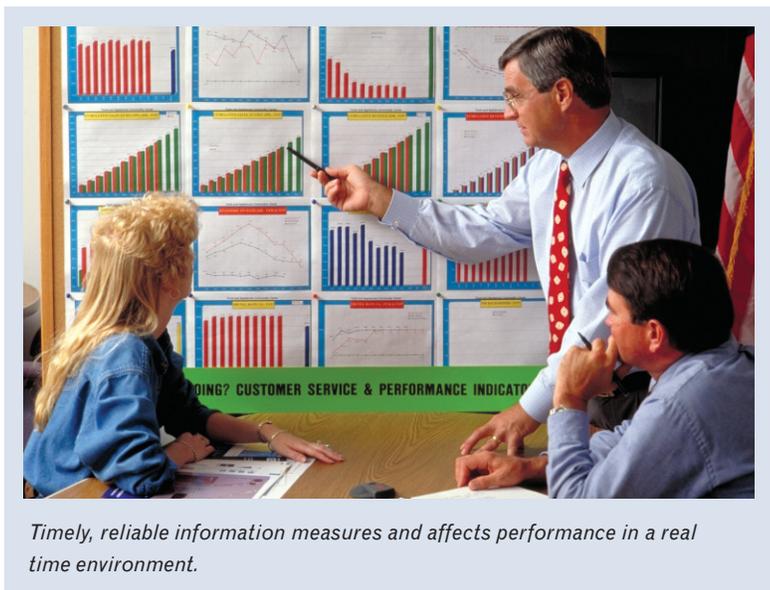
## PERFORMANCE VALIDATION AND VERIFICATION

To make reporting useful and reliable it is imperative to demonstrate that performance measures are backed by accurate, reliable data; valid reliable data are important to support management decisions on a day-to-day basis. GSA uses a broad range of performance goals and measures. The data and the means to validate and verify the measures are also diverse. A general discussion of each of those sources follows. Appendix I includes the specifics of data sources for the goals and measures.

### CONTROLS AND PROCEDURES

GSA's performance measurement data can be divided into five types. The controls and procedures used to validate and verify each type are outlined below.

- 1 **FINANCIAL DATA:** As stated above, GSA has a high degree of confidence in its financial data. Normal audit and other financial controls maintain the integrity of these data elements. During the FY 2003 financial statement audit, various tests and reviews of the core accounting system and internal controls were conducted as required by the Chief Financial Officers Act.
- 2 **DATA FROM LARGE COMPUTER SYSTEMS:** GSA has undertaken an extensive process of systems certification to ensure that its computer systems operate as intended. Data quality is also maintained through ongoing training. Finally, many of the problems with the System for Tracking and Administering Real Property (STAR) and other large computer systems are related to the conversion of old databases "as is." As these databases are cleaned up, the errors from this source will be eliminated.
- 3 **DATA FROM MANUAL OR SMALL FEEDER COMPUTER SYSTEMS:** For these systems GSA stresses confirmation so that more than one person is responsible for data and written policy and procedures.
- 4 **BENCHMARK DATA FROM EXTERNAL SOURCES:** Where there is a close correspondence between a GSA activity and a private sector counterpart, GSA utilizes external data as a benchmark. When GSA does this it strives to find highly reputable sources of data that are recognized as industry standards including the Gallup Organization, Building Owners and Managers Association, Society of Industrial and Office Realtors (SIOR) and the Logistics management Institute.
- 5 **DATA OBTAINED UNDER CONTRACT:** GSA often contracts with outside polling firms, such as the Gallup Organization, to develop customer satisfaction or other survey data. Use of an outside contractor can make customers more eager to participate and add credibility to the results. In using such data, GSA always deals with reputable firms that are leaders in the industry. GSA's contract provisions require that sound business practices be followed and GSA follows-up to make sure it can have confidence in the results. All of these firms have their own validation and verification procedures.



*Timely, reliable information measures and affects performance in a real time environment.*

## THE PRESIDENT'S MANAGEMENT AGENDA

GSA'S STATUS AND PROGRESS		
INITIATIVE	CURRENT STATUS	PROGRESS
HUMAN CAPITAL		
COMPETITIVE SOURCING		
FINANCIAL PERFORMANCE		
E-GOVERNMENT		
BUDGET AND PERFORMANCE INTEGRATION		

**GSA** has made significant progress in each of the five initiatives under the President's Management Agenda (PMA). Each quarter, the President releases an Executive Scorecard, which rates progress and overall status in each management area. These scores are rated using a "traffic light" system and are based on criteria released by the Office of Management and Budget during fiscal year 2001. As of September 30, 2003, GSA was green on progress in four out of the five initiatives; those initiatives were Human Capital, Electronic Government, Financial Management and Competitive Sourcing. The following pages provide a brief description of each initiative, provides the current status of the management program and describes our progress to "get to green" as GSA implements the PMA with the ultimate goal of improving government performance and providing better service to citizens.

### WHAT PROGRESS INDICATES

OMB assesses agency "progress" on a case by case basis against the deliverables and time lines established for the five initiatives that are agreed upon with each agency as follows:



#### GREEN

Implementation is proceeding according to plans agreed upon with the agencies;



#### YELLOW

Some slippage or other issues requiring adjustment by the agency in order to achieve the initiative objectives on a timely basis; and



#### RED

Initiative in serious jeopardy. Unlikely to realize objectives absent significant management intervention.

P M A

 **Strategic Management of Human Capital**   
 STATUS PROGRESS

**BACKGROUND:** The Human Capital Initiative requires federal agencies to develop both a vision and a roadmap for strategically managing their workforces so they can better accomplish their missions on behalf of the American people. Agencies are required to build, sustain and effectively deploy a skilled, knowledgeable, diverse workforce to meet the current and emerging needs of the federal government.

**STATUS:** GSA is currently “red” in status but is on track to improve its status to yellow. The agency is in the process of developing organization specific Human Capital Strategies for eight of its major organizations. These strategies will link business plans to the agency’s overall Human Capital Strategic Plan and the GSA Strategic Plan. In effort to link all of these strategies together the agency will issue a performance appraisal policy based on these plans so managers and associates can link individual performance to the GSA mission.

**PROGRESS:** GSA continues to be “green” in progress for this initiative. Among many other activities, during FY 2003, GSA assessed skill gaps of its associates and developed plans to address them for 3 mission critical occupations: Financial Management, Realty Specialists and Acquisition personnel. GSA also developed succession plans for its Executive Leadership Corps and the above mentioned mission critical occupations. In turn, it developed human capital measures for GSA and is developing a Human Capital Accountability System. As part of this accountability system the Human Capital performance measures will be part of individual assessment ratings. During the last year GSA developed and implemented a performance rating system for its Senior Executive Service and intends to cascade this process to all associates in the coming year.

 **Competitive Sourcing**   
 STATUS PROGRESS

**BACKGROUND:** The goal of competitive sourcing, one of President Bush’s Management Agenda initiatives, is to improve agency performance by using the A-76 process to conduct public/private competitions of an agency’s commercial activities or functions. GSA has established an infrastructure to accomplish this goal.

**STATUS:** Since the establishment of the competitive sourcing goals by the President in FY 2001, GSA has moved from “red” to “yellow” on the President’s quarterly Executive scorecard for “Current Status.” This score was achieved during the 4th quarter of FY 2003. Additionally, the agency has developed a long-term competitive sourcing plan that covers potential studies through FY 2007, completed 3 Streamlined Competitions under the Revised Circular of the FTS’ Financial Service Centers within 90 days and completed 1 Standard Competition under the old Circular of FSS’ National Customer Service Center in 15 months. Currently, GSA has a number of studies underway for FY 2004. Finally, GSA submitted its FY 2003 FAIR Act Inventory to OMB, with justifications, on June 30, 2003 and is awaiting guidance from OMB for its “Green” plan or long-term plan.

**PROGRESS:** GSA completed four competitions (1 Standard and 3 Streamlined) covering a total of 146 FTE in the 4th Quarter of FY 2003. The Office of Performance Improvement (OPI) provided training on Competitive Sourcing to associates in each of GSA’s 11 regions, as well as Central Office personnel. OPI also coordinated and chaired the last two Government-wide Conferences on Competitive Sourcing, co-sponsored by the Office of Federal Procurement Policy (OFPP) and the Federal Acquisition Council (FAC). As a regular course of business, OPI maintains a monthly report on all of GSA’s Competitive Sourcing Studies with detailed information on costing data, key milestone dates for study completion and the numerous key officials participating in each study.


**Improved Financial Performance**


STATUS
PROGRESS

**BACKGROUND:** This initiative is intended to improve the quality of the federal government's financial information so agencies can improve the integrity and efficiency of their operations. The goal is to improve financial performance by ensuring that federal financial systems, in particular, produce accurate and timely information. This data is critical to federal business line managers who rely on it in their daily decision-making. Short-term objectives of the initiative include reducing erroneous payments and sustaining or achieving successful financial audits.

**STATUS:** Currently, GSA remains "yellow" on the Executive Scorecard. GSA needs to demonstrate that its business line managers use the financial information in the accounting system to make daily business decisions. The agency plans to provide the Office of Management and Budget (OMB) with a demonstration of decision-makers' use of financial data to implement program decisions during December 2003.

**PROGRESS:** As of September 30, 2003 GSA continues to be green in program progress. GSA received a clean audit opinion for the 16th consecutive year and successfully met its accelerated and new financial reporting requirements. The agency also met the other standards for success required by the President and his management team. GSA remains in compliance with the Federal Managers Financial Integrity Act, has no material or internal control weaknesses and is in compliance with the Anti-Deficiency Act. In addition, GSA is developing a sequencing plan for migrating its remaining legacy financial applications into the agency's core accounting system, Pegasys. GSA also implemented a number of initiatives to improve financial performance, such as establishing a project management office, a recovery audit program and developing a quality assurance program for its intergovernmental accounting transactions.

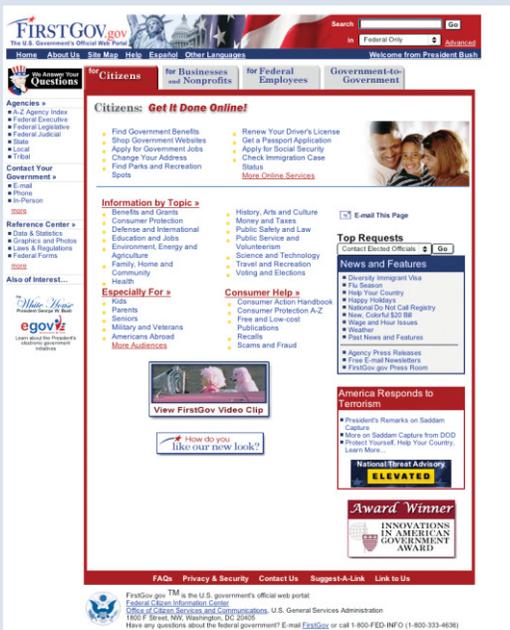

**Expanded Electronic Government**


STATUS
PROGRESS

**BACKGROUND:** As part of the President's Management goal to create a citizen-centered electronic government, he has outlined a number of criteria for agencies to meet to achieve this aim. A citizen-centered government could reduce redundant, wasteful spending because it would consolidate multiple citizen service projects into a single solution. Under this initiative, GSA continues to make strides in providing a model for other agencies in the area of electronic government. GSA's Office of Citizen Services' FirstGov program provides such a model. However, the agency isn't just looking at its external electronic government program, but also its internal IT management. During the past year, GSA has strengthened its business cases used to justify IT spending, ensured that projects are well managed and improved system security.

**STATUS:** As of this date, the Agency remains "red" in status. GSA is working diligently on improving this rating by 1) developing a business case for the Agency enterprise-wide Customer Relationship Management (CRM) system, 2) meeting IT investment cost/schedule/performance goals, 3) continuing to make progress on completing GSA's Financial Management Enterprise Architecture and 4) certifying and accrediting 80% of the agency's operational IT systems. GSA's goal is to certify and accredit 80% of its operational IT systems by FY 2005.

**PROGRESS:** The agency remains "green" in progress. The Office of the Chief Information Officer (OCIO) is GSA's lead for the President's Management Agenda government-wide initiative "Expanding Electronic Government." The five Electronic Government projects for which GSA has the lead, for all government agencies, serve both internal and external customers. The five projects include eAuthentication, eTravel, Integrated Acquisition, Federal Asset Sales and USA Services. GSA has developed a to-be enterprise architecture for financial management.



The electronic "front door" for the federal government.

**Budget and Performance**  
 STATUS Integration

**BACKGROUND:** This initiative is aimed at providing a greater focus on performance. It will enhance the quality of information on program results so the government can make better spending decisions. The outcome will be better control over resources used and accountability for results by program managers.

**STATUS:** GSA's score for this initiative remains "red" for current status. The earliest GSA can improve its status to yellow is during the first quarter of FY 2006. This is when GSA can have less than 50% of its PARTed programs with results not demonstrated for two years in a row.

**PROGRESS:** The agency is "yellow" in progress. GSA faces several large challenges on this initiative, such as, developing 1) long term outcome goals, 2) efficiency measures that meet OMB definitions and 3) determining the marginal costs or savings of changing performance targets. GSA continues to work with OMB on what long-term outcome goals and measures would be optimal. Additionally, the agency is making steady progress on its Activity-Based Management program. Finally, the Administrator continues to conduct quarterly reviews of each organization's financial and performance results.

## GSA'S SUMMARY OF MANAGEMENT CHALLENGES IDENTIFIED BY THE INSPECTOR GENERAL

The Reports Consolidation Act of 2000 requires the Inspectors General of major federal agencies to report on the most significant management challenges facing their respective agencies. The Office of Inspector General's (OIG) strategic planning process commits it to addressing these critical issues. The following table briefly describes the challenges identified for GSA. These align with related work products issued by the OIG and discussed in its Semiannual Reports to the Congress.

CHALLENGES	BRIEF DESCRIPTION
<b>PROCUREMENT ACTIVITIES</b>	Simplified processes have reduced order and delivery time, yet competitive principles are not always followed and opportunities may be missed for less costly services and products.
<b>CONTRACT MANAGEMENT</b>	GSA's multibillion-dollar acquisition programs have expanded rapidly in terms of series, variety and complexity of the procurements performed. A growing list of warning signs throughout the acquisition process suggests that the technical and management skills needed by the procurement workforce to operate in this more sophisticated arena are not keeping pace with these new demands.
<b>INFORMATION TECHNOLOGY</b>	Technology applications have increased exponentially as "eGov" is used to better manage operations and interface with the public, but complex integration and security issues exist.
<b>MANAGEMENT CONTROLS</b>	Management controls have been streamlined, resulting in fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed.
<b>AGING FEDERAL BUILDINGS</b>	GSA is being challenged to provide quality space to federal agencies using an aging, deteriorating inventory of buildings and facing critical budgetary limitations in its modernization program.
<b>HUMAN CAPITAL</b>	GSA's corporate knowledge is eroding and efforts to obtain requisite skills for the future are impeded. Better recruitment and training programs are needed to develop the twenty-first century workforce.
<b>PROTECTION OF FEDERAL FACILITIES AND PERSONNEL</b>	GSA is responsible for protecting the life and safety of employees and public visitors in federal buildings. A broadly integrated security program is required.

*The entire text of these challenges is located in the Financial Section.*

## MANAGEMENT CONTROLS, SYSTEMS AND COMPLIANCE WITH LAWS

### FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) — SECTION 2

During the fiscal year that ended September 30, 2003, GSA continued its efforts to ensure that the agency has an efficient and effective system of financial programs and administrative controls. As it works to serve the American people, GSA continues to administer its programs as efficiently and economically as possible. To do this, GSA relies on its system of management controls to provide reasonable assurance that its financial obligations comply with applicable laws, its items of value are safeguarded and its operations are properly accounted for.

During FY 2003, under the chairmanship of the Deputy Administrator, the Management Control Oversight Council examined a wide range of management issues that were brought to its attention. When specific control weaknesses were identified, the process of developing and implementing corrective action was put into action immediately. Even when control weaknesses could not be discerned, the Council continued to pursue problem areas to attempt to identify an appropriate course of action to address them.

In FY 2003, no material weaknesses were identified as provided in the assurance statement provided in the Administrator's letter at the beginning of this report. However, to improve GSA's efficiency and effectiveness, one new reportable condition was identified and is being addressed concerning GSA's contract management. A number of audit findings also identified this area as a significant issue.

Specific contract-related issues included weak contractor selection criteria; task orders that were poorly crafted and did not contain appropriate clauses; and inadequate contract oversight to ensure contractors were delivering required quality goods and services. In the case of the FTS, it was discovered that some FTS services in the regions went beyond FTS's legal authorities, conducted inappropriate splitting of procurements and engaged in inadequate competition. A high-level team has been formed to address agency-wide contract management problems and FTS management has been directed to develop an aggressive action plan, which is now being implemented.

The management team at GSA is committed to working aggressively to correct this condition. GSA management is confident that the Agency's action plans will ensure that GSA meets its responsibility of providing outstanding acquisition services and, thus, the best value for the U.S. taxpayer.



*United States Capitol*

**STATISTICAL SUMMARY OF PERFORMANCE**

*Section 2, Internal Control Systems – Material Weaknesses*

<b>NUMBER OF MATERIAL WEAKNESSES</b>				
	<b>NUMBER AT BEGINNING OF YEAR</b>	<b>NUMBER CORRECTED</b>	<b>NUMBER ADDED</b>	<b>NUMBER REMAINING END OF FISCAL YEAR</b>
PRIOR YEARS	47	45	0	2
1997 REPORT	2	2	2	2
1998 REPORT	2	0	1	3
1999 REPORT	3	0	0	3
2000 REPORT	3	0	0	3
2001 REPORT	3	0	0	3
2002 REPORT	3	0	0	3
2003 REPORT	3	2	0	0*

\*The Material Weakness "Security Enhancements in Federal Facilities" was transferred to the DHS and GSA no longer has reporting responsibilities. The other DHS Material Weakness "Federal Protective Service (FPS) Control Centers" was corrected prior to transfer.

**STATUS OF FY 2002 MATERIAL WEAKNESSES**

GSA reported three material weaknesses at the end of FY 2002. During FY2003, two of the material weaknesses (FPS Control Centers and Security Enhancements in Federal Facilities) were transferred to the DHS and removed as GSA material weaknesses. However, prior to the transfer, GSA completed all corrective actions for the material weakness FPS Control Centers and the material weakness was closed. In order to substantiate closure of the material weakness, FPS surveyed all FPS Regional Directors to determine the effectiveness of corrective actions. The survey revealed that the weakness was corrected and the material weakness was adequately resolved.

GSA also completed all corrective actions associated with the third weakness, Multiple Award Schedule (MAS) Program. In order to correct this weakness, FSS implemented the Offer Registration System module of FSS OnLine. OIG reviewed the corrective actions taken by FSS and concurred with the decision to close the material weakness.

## FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) — SECTION 4

NUMBER OF SYSTEMS NON-CONFORMANCES				
	NUMBER AT BEGINNING OF YEAR	NUMBER CORRECTED	NUMBER ADDED	NUMBER REMAINING END OF FISCAL YEAR
PRIOR YEARS	8	8	0	0
1997 REPORT	0	1	1	0
1998 REPORT	0	2	2	0
1999 REPORT	0	0	2	2
2000 REPORT	2	0	0	2
2001 REPORT	2	0	0	2
2002 REPORT	2	0	0	2
2003 REPORT	2	0	1	3

### SYSTEMS NON-CONFORMANCES

As required by Section 4 of the FMFIA, GSA evaluates its financial management systems annually for compliance with the federal financial management systems requirements identified in OMB Circular No. A-127, Financial Management Systems.

Based on all review work performed during 2003, it is GSA's conclusion that it is in substantial compliance with the requirements referred to in Section 4 of FMFIA and the Federal Financial Management Improvement Act (FFMIA) except for a new systems non-conformance relating to financial reconciliation and monitoring controls. In addition, progress continues to be made in addressing two prior-year systems non-conformances. These non-conformances relate to the need to improve network and application system security controls and the need to improve systems development, implementation and change control processes.

#### RECONCILIATION AND MONITORING CONTROLS

As a result of the FY 2003 financial statement audit, certain internal control weaknesses were identified regarding reconciliation and monitoring controls surrounding the

financial system. These weaknesses included untimely and incomplete reconciliations, insufficient reconciliation documentation and unreconciled differences that were not resolved in a timely manner.

To address these issues, management will develop and implement appropriate reconciliation policies and procedures. In addition, management will monitor reconciliation results on a monthly basis to ensure that such activities are being performed effectively. These actions will alert senior management of deficiencies in control activities in a timely manner so that adequate corrective actions can be taken. More specific action plans will be finalized in January 2004.

#### NETWORK AND APPLICATION SECURITY CONTROLS

Significant progress was made during 2003 to address issues raised in prior years. Specifically, OCIO continued to: issue additional IT security policy guidelines, enhance systems monitoring and Federal Computer Incident Response Capability incident reporting, provide security awareness training, maintain an IT security policy compliance database and provide monthly and quarterly IT security reports for management review.

However, GSA still needs to more effectively implement and enforce its existing security policies and guidelines. To address this challenge, GSA's OCIO has recently instituted a vulnerability mitigation program, which includes internal and external server scanning, war-dialing for modems and scanning of wireless networks to identify and correct potential security vulnerabilities. In addition, OCIO plans to enhance its periodic IT security reviews to promote improved IT security policy compliance. The planned target date to initiate this latter action is January 2004.

Also, GSA's Services and Staff Offices (SSO) will take additional actions to strengthen network and application security controls. Appropriate action plans to address these recommendations are being developed and should be finalized by January 2004.

#### **SYSTEMS DEVELOPMENT, IMPLEMENTATION AND CHANGE CONTROLS**

Additional efforts are still needed to improve controls relating to system development and implementation processes at GSA. During the past year, GSA has made progress in this area. Specifically, OCIO initiated efforts to update the Systems Development Life Cycle (SDLC) policy, which incorporated quality assurance program requirements and initiated action to establish an agency-wide Interoperability Control Board. OCIO plans to complete the SDLC policy by February 2004.

In addition, GSA's SSOs will take additional actions to strengthen change control policies and procedures and implement a systems development life cycle for GSA's financial systems. Appropriate action plans to address these recommendations are currently being developed and will be finalized by January 2004.

#### **FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)**

The FFMIA of 1996 requires Federal agencies to implement and maintain financial management systems that comply substantially with: 1) federal financial management system requirements, 2) applicable federal accounting standards and, 3) the Standard General Ledger (SGL) at the transaction level. Under this law, Agency heads are required to assess and report on whether these systems comply with FFMIA on an annual basis.

In assessing compliance with FFMIA, GSA adheres to the revised FFMIA implementation guidance provided by OMB and considers the results of OIG and the General Accounting Office (GAO) audit reports, annual financial statement audits, A-127 questionnaire results, Federal Information Security Management Act compliance reviews and other systems-related activities.

Based on all information assessed, the GSA Administrator has determined that GSA's financial management systems are in substantial compliance with FFMIA for FY 2003 except that we identified an instance of non-compliance with the Federal financial management system requirements of FFMIA. This non-compliance relates to the lack of adequate reconciliations and monitoring controls surrounding those systems.



*GSA's associates are working together to fulfill GSA's management information requirements.*

## FINANCIAL SUMMARY

### THE ROAD TO ACCOUNTABILITY – FINANCIAL HIGHLIGHTS

For the 16th straight year, GSA's financial statements received a clean audit opinion. The independent accounting firm of PriceWaterhouseCoopers, LLP (PwC) issued the FY 2003 audit report. GSA's preparation of these statements is part of its goal in ensuring accountability over the resources that are entrusted to it as well as to provide accurate and reliable information. Agency management is accountable for the integrity of the financial information presented in the financial statements.

The financial statements and financial data presented in this report have been prepared from GSA's accounting records in conformity with generally accepted accounting principles (GAAP) in the U.S. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

### OVERVIEW OF FINANCIAL POSITION

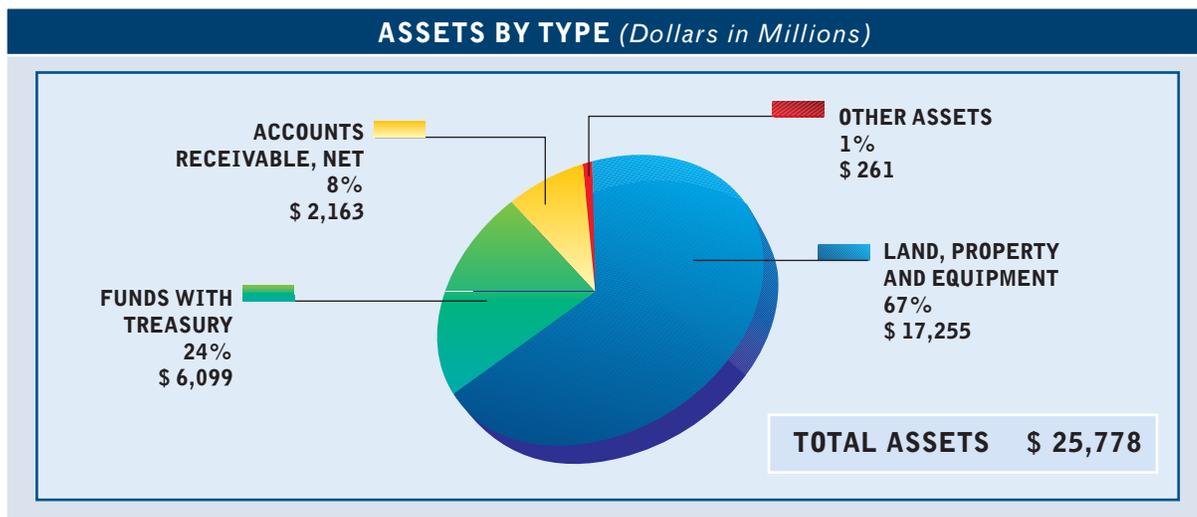
**ASSETS:** Total assets were \$25,778 million at the end of FY 2003. This represents an increase of \$1,369 million (5.6 percent) over the previous year's total assets of \$24,409 million. This increase is largely attributable to continued growth in GSA's primary business operations, which is reflected in capital asset purchases and alterations, increases in accounts receivable and increases in earnings that provided cash (Funds with U.S. Treasury) from operations.

GSA's assets reflected in the *Consolidating Balance Sheets* are summarized in the table below (*dollars in millions*):

Taken together Property and Equipment combined with Funds with U.S. Treasury comprise 90.6 percent of the total assets for FY 2003. The \$370 million increase in Funds with U.S. Treasury was primarily due to: (1) resources available to invest in construction of federal buildings in the Federal Buildings Fund, (2) earnings generated from GSA revolving funds and (3) improved cash management practices in the Information Technology Fund. The \$6,099 million of Funds with U.S. Treasury is generally available to GSA to liquidate outstanding commitments and to provide working capital to the revolving fund programs and contains balances that will fund future needs. While the majority of these balances (\$3,505 million) are available for such future needs, \$1,724 million of the available balance is committed to funding of building construction and alteration projects provided for in legislation. Amounts totaling \$1,444 million were unavailable for spending as of September 20, 2003 and would require future authorization or even legislation to be used.

Property and Equipment increased by the \$631 million (3.8 percent) from FY 2002. Property acquisitions of \$2.3 billion during the year, net of the recorded depreciation of \$1.5 billion and \$261 million in property disposals accounts for most of this increase. Property acquisitions in FY 2003 were primarily (\$1.7 billion) comprised of construction, modernization and alterations to buildings.

ASSETS ( <i>Dollars in Millions</i> )	FY 2002	FY 2003
LAND, PROPERTY AND EQUIPMENT, NET	\$ 16,624	\$ 17,255
FUNDS WITH U.S. TREASURY	5,729	6,099
ACCOUNTS RECEIVABLE, NET	1,865	2,163
OTHER ASSETS	191	261
<b>Total Assets</b>	<b>\$ 24,409</b>	<b>\$ 25,778</b>



<b>LIABILITIES</b> (Dollars in Millions)	<b>FY 2002</b>	<b>FY 2003</b>
ACCOUNTS PAYABLE	\$ 2,195	\$ 2,549
DEBT	2,308	2,231
UNFUNDED/OTHER LIABILITIES	1,025	1,104
DEFERRED REVENUES/ADVANCES	244	271
MISCELLANEOUS LIABILITIES	88	88
<b>Total Liabilities</b>	<b>\$ 5,860</b>	<b>\$ 6,243</b>

**LIABILITIES:** In FY 2003, total Agency liabilities increased by \$383 million (6.5 percent) to \$6.2 billion from \$5.9 billion in FY 2002. Liabilities reported on the Consolidated Balance Sheet are summarized in the table above (*dollars in millions*).

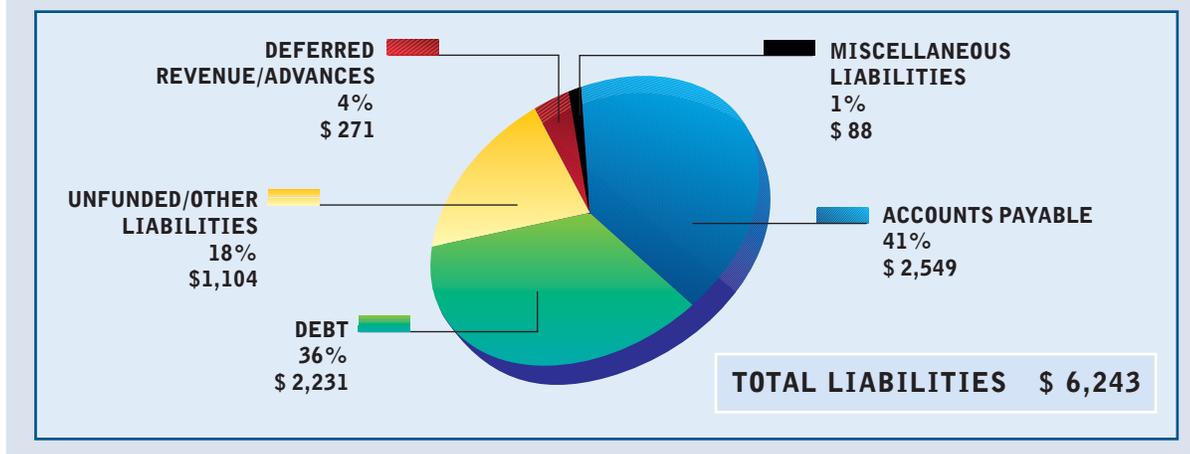
GSA's largest liability balances are accounts payable, making up 40.8 percent of the total. These balances grew \$354 million (16.1 percent) in FY 2003, following the general business growth of GSA's largest operations, particularly the Information Technology Fund activities, which comprised \$320 million of the accounts payable increase.

The \$2,231 million of debt is 35.7 percent of total liabilities, of which \$84 million is unfunded. Periodically, in lieu of

direct appropriations, GSA receives authority in its Federal Buildings Fund (FBF) to finance construction of buildings. Borrowings have been obtained from the U.S. Treasury's Federal Financing Bank, with the expenditure of the funds amortized over a 30-year period. GSA has almost depleted its authority to borrow and is currently retiring more debt than it is taking on. In FY 2003 debt decreased by \$77 million, mostly due to such debt retirements, which are covered by operating earnings in the FBF.

Liabilities totaling \$1,084 million, or 17.4 percent of total liabilities, were unfunded, i.e., budgetary resources are not yet available. For most unfunded liabilities, budgetary resources will be made available in the years balances are due, in accordance with OMB funding guidelines.

### LIABILITIES BY TYPE (Dollars in Millions)



The major elements of unfunded liabilities are \$205 million for Workers' Compensation, \$369 for capital leases and installment purchases, \$206 million for reimbursements due the U.S. Treasury Judgment Fund for costs from past litigation and \$165 million for contingencies and environmental/disposal liabilities.

**ENDING NET POSITION:** GSA's Net Position at the end of 2003 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$19.5 billion, a \$986 million (5.3 percent) increase from the prior fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations at the end of 2003.

The increase in Cumulative Results of Operations resulted primarily from strong earnings in GSA's revolving funds, particularly the FBF (earnings of \$668 million) and General Supply Fund (earnings of \$145 million) which mostly fund capital needs of those programs.

### RESULTS OF OPERATIONS

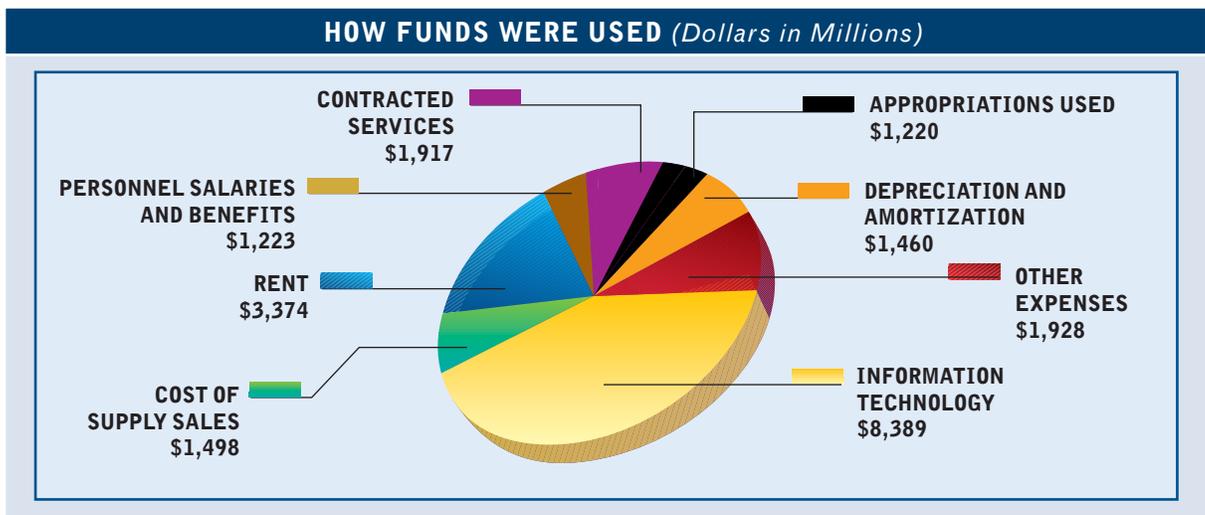
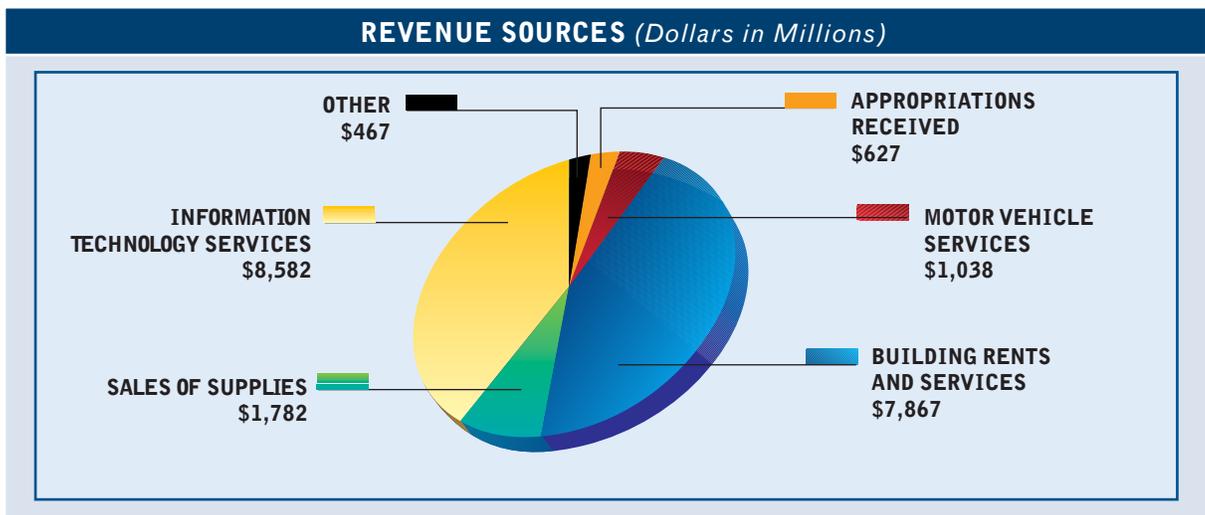
The results of operations are reported in the *Consolidated Statement of Net Cost* and the *Consolidated Statement of Changes in Net Position* and in the *Supplemental Consolidating Statement of Operations*.

The Consolidated Statement of Net Cost presents the cost less any earned revenue of operating the Agency's three largest fund entities that support its three major business divisions, the GSA Working Capital Fund and other operating funds, in reporting the Agency's Net Cost.

GSA's total Net Cost of Operations for 2003, after intra-agency eliminations, was \$53 million. This is a substantial change from FY 2002, when revenues exceeded costs by \$467 million. The primary reason for this swing was implementation of the Help America Vote Act (HAVA), which provided investments of \$665 million in U.S. state and local government voting infrastructures. Payments made in accordance with the HAVA were expensed when made. Absent the effects of the appropriated HAVA transactions, GSA's revenues exceeded costs of operations by \$612 million, a growth of \$145 million (31 percent). The largest impact fueling that growth is seen in the FBF, which

reported increased net results of \$214 million, resulting from increased efficiencies in managing the real property portfolio, as well as effects of transferring portions of its operations to the DHS which were formerly a drain on net earnings of that fund.

The following chart summarizes the activity on GSA's *Consolidated Statement of Net Cost* and the *Consolidated Statement of Net Position* by showing the funds available to GSA in FY 2003 and how these funds were used.



## BUDGETARY ISSUES

Due to the alignment between programmatic priorities and resource allocation, funding for capital investment in real property remains a significant challenge. The current funding level of the FBF is inadequate to meet the demand for new construction, particularly new courthouses and the need to reinvest in the existing inventory of government-owned buildings. To address the latter, PBS launched the PBS Strategy for Restructuring and Reinvesting in the Owned Inventory. The strategy has brought new emphasis to addressing the non-performing assets in the PBS inventory. This effort, along with asset management reform legislation and continued support for Repairs and Alterations funding, is essential to reducing the \$6 billion backlog of building repair and maintenance work and providing quality workspace for our Federal customers and the visiting public.

## LIMITATION OF FINANCIAL STATEMENTS

Management prepares the accompanying financial statements to report the financial position and results of operations for the General Services Administration, pursuant to the requirements of Chapter 31 of the United States Code section 3515(b). While these statements have been prepared from GSA's books and records, in accordance with the formats prescribed in OMB Bulletin 01-09, Form and Content of Agency Financial Statements, these statements are in addition to the financial reports used to monitor and control the budgetary resources that are prepared from the same books and records. These statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that unfunded liabilities reported in the statements cannot be liquidated without legislation that provides resources to the agency.



*During FY 2003 GSA's Financial community was challenged to redefine and streamline work processes to meet accelerated reporting dates.*



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# Performance Section





*GSA, Central Office, Washington DC.*

## INTRODUCTION TO PERFORMANCE

**GSA** embarked on an aggressive performance improvement initiative in FY 2003. It revisited existing performance goals and measures and carefully refined them and in some cases added to them to help better manage its business goals. In this report, actual performance was measured against the performance measures and targets in the *FY 2004 Performance Plan*, not the *FY 2003 Performance Plan*.

GSA, also made a major structural improvement in FY 2003 by designing and beginning the implementation of a PMP encompassing the Strategic Planning, Budget and Performance Cycle. This process builds on the time-tested systems used by the Internal Revenue Service (IRS) and the National Aeronautics and Space Administration. Through this process policy, forecasting and planning are brought to bear on the budget and resource allocation decisions.

Briefly, the PMP consists of six phases:

- 1 The Strategic Assessment Phase where GSA assesses its position relative to the marketplace and its customers;
- 2 The Administrator's Guidance Phase, which sets strategic direction, performance expectations and priorities based on the Strategic Assessment;
- 3 Strategy and Action Planning Phase in which the Services and Offices document the actions they will take to achieve the direction set in the previous phase;
- 4 The Performance Plan and Budget Justification Phase where the Performance Budget is prepared for submission to OMB and Congress based on the results of the first three phases;
- 5 The Business Planning Phase follows congressional appropriation action and translates Congress's resource allocation decisions into operational plans, goals and performance targets;
- 6 The Performance Management Phase in which GSA will execute and review strategy, programs, expenditures and performance results for its customers.

GSA has developed the PMT to facilitate Budget and Performance Integration as well as monthly financial reporting and linking performance to financial results. The Administrator and Regional Administrators review quarterly results through this system. The PMT approach is establishing linkages between results and resources at the operational level.

The PART was designed by OMB to assess federal programs and is used to determine the strengths and weaknesses of federal programs based on PART results. It lays the groundwork for evidence-based funding decisions, a key aspect of budget and performance integration. GSA conducted four PART assessments during FY 2003: Leasing, Real Property Disposal, Personal Property Management and Regional IT Solutions. Updates were performed for five other programs that had been assessed in FY 2002. In general, the overall evaluations were "Results Not Demonstrated," as have been the evaluations of the vast majority of federal programs that have been rated thus far. The major shortcoming cited has been the lack of measurable long-term outcome goals. The effort to establish such goals is well underway and is expected to improve the PART ratings and more important, improve the management of GSA.

The remainder of this section presents, for each of GSA's three services and support organizations, the FY 2003 performance results versus performance goals within the six GSA-wide strategic goals. For each of the GSA Services and Offices, a short performance summary, followed by tables, reflects the performance results for the current fiscal year and the three prior fiscal years. Performance results which reflect "TBD" designates those responses where information was not available at the time of publication. This FY 2003 unavailable data will be included in GSA's FY2004 Performance and Accountability Report.

## PUBLIC BUILDINGS SERVICE

The PBS provides its customers with quality work environments that enable federal agencies to better serve the public. PBS is the largest public real estate organization in the nation and provider of workspace and workplace solutions to over 100 federal agencies.

PBS has undertaken a Portfolio Restructuring initiative to better align the building portfolio with GSA's mission of delivering a high-quality workplace for the federal worker at a superior value for the taxpayer. Increased focus has been placed on high performing assets. Other assets that are expensive to operate and maintain, produce little or no net income, require significant capital repairs and do not adequately serve customer agencies will be disposed of, if feasible and practical. The restructuring effort focuses GSA's attention on the financial and physical performance of each asset in the portfolio, prioritizes reinvestment dollars, provides quality workplaces, increases customer satisfaction and increases sustainability of historical and culturally significant landmarks.

### PERFORMANCE HIGHLIGHTS

The paragraphs below summarize FY 2003 PBS key performance results by business functional activity.

**BUILDING OPERATIONS:** A Human Capital Strategy has been developed to address customer needs and to re-invigorate GSA's National Account Program with its major customer agencies. National Account Executives work closely with ordering officials from GSA's customer agencies to meet their expectations. During FY 2003, 72 percent of these demanding officials were highly satisfied in their dealings with PBS.

**RENTAL OF SPACE:** A National Broker Services Contract is planned to address the increased capacity needs of the Leasing Program within PBS. It will allow PBS to leverage the size and the value of its leasing program, while achieving cost savings and improving customer service.



*Ronald Reagan Building*

An added benefit is a coherent national business process. During FY 2003, PBS determined that issuing a "no cost" contract would provide the greatest value. GAO ruled on August 14, 2003 (Decision B-291947) that GSA may enter into such contracts for real estate broker services. By using this vehicle, PBS will save \$24 to \$100 million a year in Broker Contract services.

PBS's objective is to lease space to provide customer agencies the best value for taxpayer dollars. Often its not just about acquiring space with the lowest cost but rather its the location, building amenities, space features, and other factors that provide better value. The target for FY 2003 for the cost of leased space relative to the market was 14.3 percent. In FY 2003, PBS was 7.41 percent below comparable lease market costs.

**CONSTRUCTION AND ACQUISITION OF FACILITIES:** PBS is involved in a \$10 billion, multi-year program to build new federal courthouses and rehabilitate existing federal courthouses to accommodate new security requirements, enhanced prisoner security and handling measures, an increased number of federal cases and an increased number of federal judges.

Two courthouses have been completed during FY 2003: Denver, Colorado and Jacksonville, Florida. Design contracts were awarded for courthouses in Rockford, Illinois; Cedar Rapids, Iowa; Nashville, Tennessee; Ft. Pierce, Florida; and Jackson, Mississippi.

Through a contract with Georgia Institute of Technology (GT), a secure Internet site has been established that provides documentation on completed courthouses. The site includes a compendium of "Lessons Learned". In addition a guide for conducting helpful visits of existing courthouses has been developed. This guide will facilitate improvements in gathering information prior to starting the design of future courthouses.

**REPAIRS AND ALTERATIONS (R&A):** The goal of the R&A program is to keep GSA buildings in good repair and provide federal tenants with quality workspace that enables them to carry out their missions. Workload changes over time as the buildings age and the composition of the inventory changes. PBS is focusing reinvestment capital on the most productive assets with long-term federal purposes. These actions are part of PBS's Portfolio Strategy.

Better scheduling and more aggressive tracking will improve the management of R&A projects. PBS has set specific goals and objectives to be accomplished in fiscal years 2004, 2005 and beyond. For example, by FY 2005 PBS objectives are to have 85 percent of R&A projects completed on schedule and to reduce vacant space (available/assignable space and space committed to client agencies) in PBS's owned portfolio to 7 percent. As of September 2003, the percentage of R&A projects completed on schedule was 79 percent. Also as of September 2003, vacant space in the owned inventory was 8.3 percent. These numbers are well below private sector averages.

As the PBS Portfolio Strategy is implemented and non-performing assets are redeployed (disposal/exchange/transfer) which are unable to generate sufficient income for their reinvestment requirement and for which there is no long-term federal need, PBS will reduce the total reinvestment

needs of the owned portfolio. By redeploying non-performing and underutilized assets, the portfolio's capital reinvestment needs were reduced by \$115.6 million in FY 2002 and \$55.1 million by mid-year FY 2003.

**FINANCIAL MANAGEMENT:** GSA maintains its buildings from income generated by the buildings. Budgets are formulated based upon this anticipated income. The Funds from Operations (FFO) shows how effectively and efficiently PBS is executing its budget. In FY 2003, PBS achieved a positive FFO for 73 percent of its assets versus a target of 82 percent. The target was missed because of unanticipated increases in snow removal, utility and security expenses and delays in disposing or correcting of under achieving assets. Efforts will continue to restructure the PBS building portfolio to consist primarily of strong income producing properties.

**PROPERTY MANAGEMENT:** To continue to meet the security needs of PBS's customers, the following actions have been completed.

- Developed and issued a national property managers Occupant Emergency Plan supplement for Sheltering-in-Place. This document is aimed at creating a "best possible" solution for short-term protection of building systems and occupants related to indoor and outdoor contaminant releases. The guidance was developed in partnership with the Georgia Institute of Technology, a client agency, industrial hygienists, regional property management organizations and with input from Federal Protective Service/Department of Homeland Security.
- Issued Occupant Emergency Plan, Shelter-in-Place, national guidance, posted on [www.gsa.gov](http://www.gsa.gov), for facilitating and coordinating building security committee discussion on this topic with property managers, hazardous materials (HAZMAT) specialists, fire marshals, law enforcement, police and security officials and local HAZMAT/Fire/Emergency Medical Services experts.



## PBS PERFORMANCE BY GSA-WIDE GOAL

### GSA-WIDE GOAL 1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

PERFORMANCE GOAL	RESULT
IMPROVE ANNUAL ORDERING OFFICIAL SATISFACTION.	GOAL MET
IMPROVE CUSTOMER SATISFACTION LEVEL IN OWNED SPACE SURVEYED.	GOAL MET
KEEP THE COST FOR NEW GSA LEASED OFFICE SPACE AT OR BELOW EACH OF THE FOUR MARKET RANGES BEING TRACKED.	GOAL NOT MET
IMPROVE CUSTOMER SATISFACTION LEVEL IN LEASED SPACE SURVEYED.	GOAL MET
IMPROVE CUSTOMER SATISFACTION SCORES.	GOAL MET
MAINTAIN A 90% TENANT SATISFACTION RATING IN NEWLY CONSTRUCTED BUILDINGS.	GOAL MET

PERFORMANCE GOAL
Improve annual ordering official satisfaction.
MEASURE
Percentage of ordering officials that are highly satisfied with their business dealings with PBS.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	59%	66%	68%	72%

**DESCRIPTION OF THE MEASURE:** PBS recognizes that customers are key to its future success. This survey collects information from ordering officials, which includes customer agency employees that represent their agencies in ordering services and workspace from PBS. This group is the best judge of how well PBS is meeting the expectations of its customer agencies and providing the best value. Beginning in FY 2001, with the help of the Gallup Organization, PBS surveyed 468 agency ordering officials, via telephone interviews. These customers were asked questions concerning their satisfaction with PBS products and services, and the value GSA provided on a variety of items such as service delivery, leasing, facility management, construction and alteration, security and problem resolution.

Historically, Gallup's average score range for customer engagement surveys is 40 to 60 percent. PBS's first year results were at the top of this range, providing an acceptable satisfaction level to serve as its baseline. However, PBS continues to seek a higher level of satisfaction by continuing to improve service to its customers. PBS has established 77 percent as its long-term target based on where it is now and expert advice from Gallup as to what is achievable for this type of measure. The results are being studied to identify what drives ordering official satisfaction and what improvements can be made to the survey process.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** PBS attributes its results on the Ordering Official survey to several factors. In 2003, Customer Discovery Days were held throughout the country to focus associates on all of GSA's customer needs and to emphasize the importance of its customers in all of GSA's business decisions. Additionally, the national account executives and national account managers supported regional efforts to improve customer loyalty and satisfaction at the agency level by responding to their concerns and setting up procedures to address them.

PERFORMANCE GOAL				
Improve customer satisfaction.				
MEASURE				
Percentage of tenants that rate PBS-owned and operated services as satisfactory or better.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
83%	84%	85%	85%	89%

**DESCRIPTION OF THE MEASURE:** A high level of satisfaction with one's work environment is a key factor promoting productivity, thus enhancing federal workforce service to the public.

PBS has partnered with The Gallup Organization to assess customer satisfaction levels using a customer satisfaction survey developed in conjunction with the International Facilities Management Association. The annual customer satisfaction scores and targets for GSA-owned and operated services represent two years of survey data. Previously, annual scores represented surveys done in that year only. By changing to the dual-survey reporting scheme, PBS is able to show customer satisfaction for its entire inventory versus half. For example, the 1998 score represents the 1997 and 1998 survey results on the entire inventory. Starting in 2003, GSA will survey one-third of its inventory annually and scores will move toward reflecting three years of survey data.

Below are PBS survey results, which show a steadily increasing level of satisfaction among tenants in GSA-owned space. PBS will continue to target higher goals and plans to reach these goals by targeting problem areas within individual buildings, sharing the best practices of high scoring building managers and using focus groups to better understand what is needed to improve customer satisfaction.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The survey interval was changed to once every three years, thereby decreasing the number of buildings surveyed each year and allowing for a greater focus on the designated tenants and on the key buildings being surveyed. Additionally, many of the regions developed small, cross-functional teams to work on improving customer satisfaction scores. In some regions, these teams included property, account and building managers, as well as marketing reps. In one region, special "ambassadors" were appointed with the sole responsibility of helping and interacting with customers. Overall, communications with PBS customers have been improved through newsletters, Web sites and Web broadcasts. PBS also provided feedback on what was done since the last survey, demonstrating its commitment to its customers and their problems and concerns. Finally, upper management involvement has increased ranging from letters, to agency contacts and to participation in forums. All of these elements have contributed to the higher customer satisfaction scores in FY 2003.



PERFORMANCE GOAL				
Keep the cost for new GSA leased office space at or below each of the four market ranges being tracked.				
MEASURE				
Cost for leased space relative to the market (weighted average for four categories).				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	11.0%	14.00%	14.25%	7.41%

**DESCRIPTION OF THE MEASURE:** PBS's objective is to lease space to customer agencies that provides the best value for taxpayer dollars. Best value is not always the space offered at the lowest price. Often, location, building amenities, space features and a number of other factors can make building tenants more productive and efficient and provide better value for dollars spent. PBS compares the space it leases to customers to reflect four categories. These categories are class A and class B space, inside or outside central business districts. The target above is the weighted average in percent below the cost of private sector leases in four categories. By procuring leased space at below market rates PBS ensures that it is meeting its goal to provide the best value for customer agencies and taxpayers.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** One Department of Defense lease was awarded in Arlington, VA for 525,000 square feet above the Society of Industrial and Office Realtors rate. Further checking indicates the lease was provided as swing space for the Pentagon on an Other Than Full & Open basis as a result of 9/11 and includes an extraordinary amount of cost related to security.

PERFORMANCE GOAL				
Improve customer satisfaction level in leased space surveyed.				
MEASURE				
Percentage of customers satisfied in leased space.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
80%	82%	84%	85%	89%

**DESCRIPTION OF THE MEASURE:** A high level of satisfaction with one's work environment is a key factor that promotes productivity, thus enhancing federal workforce service to the public. The actual annual customer satisfaction scores and targets above for leased space represent two years of survey data. Previously, annual scores reflected surveys done during a single year. By changing to the dual-survey-reporting scheme, PBS is able to show a customer satisfaction score for its entire leased inventory. For example, the 1998 score represents the 1997 and 1998 survey results of the entire inventory. Beginning in 2003, PBS will begin surveying one-third of its inventory annually thus moving from a two-year to a three-year cycle.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The survey interval was changed to once every three years, thereby decreasing the number of buildings surveyed each year and allowing for a greater focus on the particular tenants and on the key buildings being surveyed. Additionally, many of the regions developed small, cross-functional teams to



work on improving customer satisfaction scores. In some regions, these teams included property, account and building managers, as well as marketing representatives. In one region special “ambassadors” were appointed with the sole responsibility of helping and interacting with customers. Overall, communications with PBS customers have been improved through newsletters, Web sites and Web broadcasts. PBS also provided feedback on what was done since the last survey, demonstrating its commitment to its customers and their problems and concerns. Finally, upper management involvement has increased ranging from letters to agency contacts and participation in meetings. All of these elements have contributed to the higher customer satisfaction scores in FY 2003.

PERFORMANCE GOAL				
Improve customer satisfaction scores.				
MEASURE				
Realty services satisfaction survey.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	N/A	70%	85%

**DESCRIPTION OF THE MEASURE:** PBS has developed a survey that asks customers if the PBS-provided space improves their ability to accomplish their mission, in terms of productivity. PBS performs this transaction-based survey on new space requests completed for customer agencies. The survey is used to determine whether PBS contributes to meeting customer goals.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** In 522 transactions covering over four million square feet PBS’s client agencies reported an increase in productivity. PBS is currently working on improving its survey administration and expects productivity to improve even more through its commitment to customer satisfaction.

PERFORMANCE GOAL				
Maintain a 90% tenant satisfaction rating in newly constructed buildings.				
MEASURE				
Improve customer satisfaction in newly constructed buildings.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
86%	89%	90%	90%	90%

**DESCRIPTION OF THE MEASURE:** GSA’s mission includes the construction of federal buildings. PBS surveys the tenants of these building to determine their level of satisfaction. PBS has higher customer satisfaction expectations for newly constructed buildings than it does for other owned and leased buildings in its inventory. PBS sets long-term targets based on the FY 1998 baseline.



**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Though PBS has met its goal for FY 2003, it continues to study survey results to see what improvements in its performance are needed. A new survey has been developed that will be implemented in 2004 that specifically targets new federal courthouses. These buildings form a large majority of PBS's new construction projects. This survey will provide a more comprehensive view of both the buildings functionality and PBS's customer's' satisfaction in the buildings.

**GSA-WIDE GOAL 2: ACHIEVE RESPONSIBLE ASSET MANAGEMENT**

PERFORMANCE GOAL	RESULT
REDUCE THE COST ESCALATION RATE FOR REPAIR AND ALTERATIONS PROJECTS TO 1 PERCENT.	Goal Met
INCREASE OVERALL POTENTIAL REVENUE.	Goal Met
INCREASE FFO.	Goal Met
REDUCE THE AMOUNT OF NON-REVENUE PRODUCING SPACE IN THE GOVERNMENT OWNED INVENTORY.	Goal Met
REDUCE THE AMOUNT OF NON-REVENUE PRODUCING SPACE IN THE LEASED INVENTORY.	Goal Met
INCREASE THE PERCENTAGE OF GOVERNMENT-OWNED ASSETS WITH A RETURN ON EQUITY (ROE) OF AT LEAST 6 PERCENT.	Goal Met
INCREASE THE PERCENTAGE OF GOVERNMENT-OWNED ASSETS ACHIEVING A POSITIVE FFO.	Goal Not Met

PERFORMANCE GOAL
Reduce the cost escalation rate for repair and alterations projects to 1 percent.
MEASURE
Percentage of cost escalation on R&A projects.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	(1%)	3%	1%	0.5%

**DESCRIPTION OF THE MEASURE:** Projects are considered within budget until PBS escalates or requests reprogramming and/or additional appropriations for the project that raise total project cost above the original appropriation amount. One measure of effective management of these projects is keeping the overall cost escalation, on average, to 1 percent. The rationale for this performance goal is that staying within budget means that both project planning (costing) and execution (construction) have been well managed. By concentrating on the financial aspects of repair and alteration projects, PBS ensures that taxpayers are getting the best value.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** PBS had escalations and reprogrammings (requests to add funds beyond the original congressionally appropriated amount) of \$11 million. The total active PBS R&A program (through design and/or construction) had a value of \$2.28 billion, which computes to a percentage escalation of 0.5 percent.

PBS has instituted several strategies that have been successful in minimizing escalations on our repair and alteration program. We perform a more robust feasibility analysis and evaluate projects during the design phase for completeness. Design construction excellence focuses PBS on the team makeup and construction processes to ensure that we are aware of potential problems early in the process, providing us an opportunity to correct deficiencies prior to escalations becoming necessary.

In FY 2004, with the exception of the Brooklyn, NY courthouse renovation, which continues to require additional funding, PBS expects to achieve similar performance results.

PERFORMANCE GOAL				
Increase overall potential revenue.				
MEASURE				
Percentage of potential revenue received.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	92.4%	92.7%	93.0%	93.8%

**DESCRIPTION OF THE MEASURE:** Potential revenue is the amount of revenue PBS would receive if 100 percent of PBS owned and leased inventory was generating revenue for the FBF. Maximizing the percentage of potential revenue collected, serves to maximize the use of government-owned and existing leased space that, in turn, maximizes the contribution for capital investment. This percentage also serves as a means of measuring how fully PBS is utilizing its assets and thus meeting its objective to conserve taxpayer investment.

PBS will never be able to capture 100 percent of the potential revenue because there will always be some vacant space, space under alteration and GSA-occupied space in the inventory. However, PBS will target the potential revenue measure to levels equivalent to the long-term goals for the reduction of non-revenue producing space.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** PBS achieved its potential revenue target by continuing its emphasis on filling high-cost, vacant owned and leased space. In addition, the performance of PBS's portfolio has been improved through PBS's portfolio restructuring initiative. Non-performing buildings that cannot be economically rehabilitated are being retired from PBS space inventory.



PERFORMANCE GOAL				
Increase FFO.				
MEASURE				
Funds from Operations.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
\$1.18B	\$1.35B	\$1.39B	\$1.44B	\$1.48B

**DESCRIPTION OF THE MEASURE:** FFO is revenues less funded operating costs (i.e., depreciation is not included) for GSA's owned and leased inventory. This is a basic performance measure of building management since funds from operations increase by either reducing factors that negatively impact revenues such as non-revenue producing space, or lowering operating costs.

Based on the above, each building either has positive (revenues are higher than operating costs), or negative funds from operations. The higher the funds from operations are, the more funds are made available for GSA's programs. Most important, increasing funds from operations provides additional funds for capital improvements necessary to conserve taxpayer investment.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** PBS met and exceeded the target by bringing on-line and renting 780,000 square feet of newly constructed space to our tenants. Newly constructed space provides higher rental rates and revenue generation than older space already in our inventory, as well as providing our tenants a superior workplace. Additionally, FFO improved through the backfilling of vacant space and the restructuring of our portfolio, that re-deployed under-performing assets.

PERFORMANCE GOAL				
Reduce the amount of non-revenue producing space in the government owned inventory.				
MEASURE				
Percentage of non-revenue producing space in government owned inventory.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
12.2%	11.8%	11.8%	11.5%	11.1%

**DESCRIPTION OF THE MEASURE:** Non-revenue producing space includes space under alteration, space occupied by PBS and vacant available space. Government-owned space that does not produce revenue reduces the percentage of potential revenue PBS can collect which, in turn, directly affects funds available for capital improvements. Reducing non-revenue producing space is a measure of how fully PBS is utilizing its assets and meeting its objective to provide best value to taxpayers.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** PBS takes every opportunity to turn non-revenue producing space into revenue producing space, or disposes of under-performing assets. PBS does this by re-evaluating PBS space needs, evaluating opportunities for filling vacant space and completing construction and renovation projects quickly. Using this strategy, PBS backfilled space in key assets and disposed of non-performing and under-performing assets with significant blocks of vacant space.

PERFORMANCE GOAL				
Reduce the amount of non-revenue producing space in the leased inventory.				
MEASURE				
Percentage of non-revenue producing space in leased inventory.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
3.3%	2.7%	3.1%	3.0%	2.1%

**DESCRIPTION OF THE MEASURE:** Similar to the performance goal for owned inventory, leased space that is not occupied reduces the percentage of gross potential revenue PBS can collect. This directly affects funds for capital improvements. Non-revenue producing space includes space under alteration, space occupied by PBS and vacant available space.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** PBS uses a similar strategy for minimizing the amount of non-revenue producing leased inventory, as they use for government owed inventory. PBS periodically re-evaluates client agency space needs and evaluates opportunities for filling vacant space in existing leases. PBS also looks to terminate and/or buyout leases with vacant space where there is no potential to backfill the space.

PERFORMANCE GOAL				
Increase the percentage of government-owned assets with an ROE of at least 6 percent.				
MEASURE				
Percentage of government owned assets with a return on equity (ROE) of at least 6 percent.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	54%	62%	64%

**DESCRIPTION OF THE MEASURE:** Beyond increasing the percentage of assets achieving positive funds from operations, PBS is making an effort to increase the percentage of assets with a ROE of at least 6 percent. This goal is in keeping with the GSA strategy to focus its limited resources on performing assets. It is PBS’s intent to create a portfolio in which all of its assets will eventually fall into the top, “performing” tier of the three tiers used to classify each of PBS’s buildings. The assets in this top tier all maintain an ROE of at least 6 percent; they are solid financial performers that fulfill the long-term needs of the customers.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** PBS has seen significant improvement in the percentage of government-owned assets achieving at least a 6 percent ROE. This improvement is attributable to PBS’s ongoing effort to workout or dispose of financially non-performing assets and to reinvest in performing assets for which there is a long-term federal need.

# PBS

PERFORMANCE GOAL				
Increase the percentage of government-owned assets achieving a positive FFO.				
MEASURE				
Percentage of government owned assets achieving a positive FFO.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	74%	82%	73%

**DESCRIPTION OF THE MEASURE:** Responsible asset management is one of GSA’s primary goals. To this end, GSA is conducting an all-encompassing review of its owned buildings as part of an overall strategy to focus limited resources on performing assets that have a continuing federal need. The first step in this strategy includes a diagnostic testing or tiering of the buildings to evaluate the physical condition and financial performance of each building in GSA’s portfolio. Following this assessment, buildings will be placed in one of three categories: performing, under-performing, or non-performing. Beginning with non-performing assets, buildings will be closely monitored until their performance status can be resolved through workout or disposal. By increasing the percentage of buildings with a positive FFO, GSA will continue its effort to maximize the financial performance of retained assets and create a self-sustaining inventory that will provide an improved quality of space for its customers and superior value for taxpayers.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Factors that contributed to PBS’s inability to meet the FY 2003 target for the percent of government owned assets achieving a positive FFO: 1) unanticipated costs associated with the harsh winter in the northeast U.S., including substantially above normal snow removing expenses and greater utility costs associated with heating facilities; and 2) increased security costs in PBS facilities.

### GSA-WIDE GOAL 3: OPERATE EFFICIENTLY AND EFFECTIVELY

PERFORMANCE GOAL	RESULT
PROVIDE CLEANING SERVICES IN OFFICE AND SIMILARLY SERVICED SPACE AT A COST OF 4 PERCENT BELOW PRIVATE SECTOR BENCHMARKS.	GOAL NOT MET
PROVIDE MAINTENANCE SERVICES IN OFFICE AND SIMILARLY SERVICED SPACE AT A COST BELOW PRIVATE SECTOR BENCHMARKS.	GOAL MET
PROVIDE UTILITIES IN OFFICE AND SIMILARLY SERVICED SPACE AT A COST BELOW PRIVATE SECTOR BENCHMARKS.	GOAL NOT MET
INCREASE THE PERCENTAGE OF CONSTRUCTION PROJECTS ON SCHEDULE.	GOAL NOT MET
REDUCE THE COST ESCALATION RATE FOR CONSTRUCTION PROJECTS.	GOAL MET
ALL NEW BUILDINGS TO BE LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED) CERTIFIED.	GOAL NOT MET
IMPROVE THE PERCENTAGE OF REPAIR AND ALTERATION PROJECTS ON SCHEDULE.	GOAL NOT MET



PERFORMANCE GOAL				
Provide cleaning services in office and similarly serviced space at a cost 4 percent below private sector.				
MEASURE				
Cleaning costs in office and similarly serviced space.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	5%	5%	4%	1.3%

**DESCRIPTION OF THE MEASURE:** By controlling cleaning costs, PBS helps keep its operating costs below the industry average, provides tenants with quality workspace and contributes to the capital program. PBS has developed several sophisticated benchmarks to monitor and compare operating costs with those in equivalent private sector buildings.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Cleaning cost includes costs of grounds maintenance such as snow removal. During FY 2003, these costs were driven up by the severe winter. Recurring contract cost inconsistencies, Department of Labor wage rate increases, and Worker's Compensation rate increases also contributed to additional contract costs.

PERFORMANCE GOAL				
Provide maintenance services in office and similarly serviced space at a cost below private sector benchmarks.				
MEASURE				
Maintenance costs in office and similarly serviced space.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	7%	7%	6%	6%

**DESCRIPTION OF THE MEASURE:** GSA tries to keep the cost of mechanical maintenance services well below such costs in comparable private sector space, while continuing to provide tenants with a quality workspace. By keeping costs low, GSA increases funds from operations, which directly contribute to the capital program. GSA has developed several sophisticated benchmarks to monitor and compare operating costs with those in equivalent private sector buildings.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Our established strategies for containing costs have been successful. We plan on further investigating competitive sourcing in the near future to increase our savings.



PERFORMANCE GOAL				
Provide utilities in office and similarly serviced space at a cost below private sector benchmarks.				
MEASURE				
Utility costs in office and similarly serviced space.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	30%	34%	32%	30%

**DESCRIPTION OF THE MEASURE:** Controlling costs is a basic management function. Thus GSA targets keeping the cost of utilities well below such costs in comparable private sector space, while continuing to provide tenants with a quality workspace. By keeping costs low, GSA increases funds from operations, which directly contributes to the capital program. GSA has developed several sophisticated benchmarks to monitor and compare operating costs with those in equivalent private sector buildings.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The severe winter experienced in many of the areas that GSA serves contributed to the surge in heating costs, in addition to above average costs associated with snow removal.

PERFORMANCE GOAL				
Increase the percentage of construction projects on schedule.				
MEASURE				
Percentage construction projects completed on schedule.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	75%	78%	80%	68%

**DESCRIPTION OF THE MEASURE:** PBS financial projections include rental income from new construction projects as of the anticipated date of occupancy. It is therefore critical that projects be completed on time so that they can begin to generate expected revenue. This measure shows the percentage of projects completed on schedule, weighted by cost. This measure will use an earned value technique to assess construction project performance on all projects of more than \$10 million.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The principle reasons for project delays were: poor design and/or contractor performance, requests for changes in the scope of work by the customer and security upgrades resulting from increased security concerns. Due to delays and cost overruns in one of PBS's costliest buildings, the new Brooklyn Courthouse, it will be difficult to make this target in the future. Until older projects are completed and dropped from the universe of projected used to calculate "percentage of projects on schedule" it will be difficult to significantly improve actual performance on this measure.

PBS has established the Construction Excellence Program to provide high quality construction for the best value using the best business practices, our regional offices are implementing key elements of the program. The program emphasizes completing projects on time and within budget. The progressive success of this program improves the quality of the design product and enhances working relationships with the customers and construction contractors. PBS now uses construction research organizations to improve PBS performance and provides recognition for quality construction.

PERFORMANCE GOAL				
Reduce the cost escalation rate for construction projects.				
MEASURE				
Percentage of escalation on prospectus projects.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	6.0%	7.0%	4.0%	0.6%

**DESCRIPTION OF THE MEASURE:** Projects are considered within budget until PBS escalates or requests a reprogramming and/or additional appropriations for the project that escalate total project cost above the original appropriation amount. One measure of effective management of these projects is keeping the maximum project escalation, on average to 4 percent. The rationale for this performance goal is that staying within budget means that both project planning (costing) and execution (construction) have been well managed. By concentrating on the financial aspects of construction projects, PBS ensures that taxpayers are getting the best value.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** PBS had escalations and reprogramming (congressionally approved requests to add funds beyond the original congressionally appropriated amount) of \$20.3 million on its new construction program. The total active new construction program for PBS, projects currently in a phase of work (construction authorization and appropriation through substantial completion) had a value of \$600 million. PBS uses the same strategies for new construction projects as those applied to R&A projects to minimize project escalations. In FY 2004, with the exception of the new courthouse in Brooklyn, NY, which continues to require additional funding, PBS expects to achieve similar performance results.



PERFORMANCE GOAL				
All new buildings to be LEED certified.				
MEASURE				
Improve percentage of new buildings LEED registered.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	Project Initiated	100%	15%

**DESCRIPTION OF THE MEASURE:** The LEED Green Building Rating System™ is a voluntary, consensus-based national standard for developing high-performance, sustainable buildings.

LEED emphasizes state of the art strategies for sustainable site development, water savings, energy efficiency, material selections and indoor environmental quality. Beginning in FY 2003, all new construction and major R&A Projects must be registered with the U.S. Green Building Council working towards LEED Certification, with a target level of Silver. The LEED Silver rating is one of four award levels: LEED Certified, Silver, Gold and Platinum. A LEED Silver rating recognizes excellent accomplishments in sustainable design. The results and benefits will include reduced operating costs, reduced waste, conservation of natural resources, positive community relationships, increased building value, increased occupant productivity and increased occupant satisfaction.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** 2003 marked the first year that LEED registration was a requirement for all prospectus level projects. The score represents the percent of design and construction projects begun in 2003 that are currently LEED registered. The score is deceptively low because registration does not need to be completed until construction completion. Currently 35 percent of the new projects are incorporating LEED principles into their design, but have not yet completed the registration process. In 2004 there will be significant improvement in the percent of projects that are registered as these projects move toward their construction phase.

PERFORMANCE GOAL				
Improve the percentage of repair and alteration (R&A) projects on schedule.				
MEASURE				
Percentage of R&A construction projects on schedule.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	75%	87%	83%	79%

**DESCRIPTION OF THE MEASURE:** PBS financial projections include rental income from new R&A projects as of the anticipated date of occupancy. It is, therefore, critical that projects be completed on time so that they can begin to generate expected revenue. This measure shows the percentage of projects on schedule, weighted by cost. This measure will use an earned value technique to assess major R&A project performance on all projects of more than \$10 million.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The same issues and strategies discussed in the “Percentage Construction projects completed on schedule” measure also affect the R&A on schedule measure.

Due to delays and cost overruns in one of PBS’s costliest buildings, the renovation of the Brooklyn Courthouse, it will be difficult to meet this target in the future until this building is completed and removed from the measure.



**GSA-WIDE GOAL 5: MAINTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE**

PERFORMANCE GOAL	RESULT
IMPROVE CUSTOMER PRODUCTIVITY SCORES.	GOAL NOT MET

PERFORMANCE GOAL
Improve customer productivity scores.
MEASURE
Improve Realty Transaction Survey, Productivity.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	N/A	67%	62%

**DESCRIPTION OF THE MEASURE:** As a provider of choice, PBS needs to ensure that it provides value to the leasing process and that it meets customer expectations. In addition, it is also GSA’s mission to supply space that actually improves tenant productivity. To determine if PBS is meeting this goal, it has developed a survey that asks customers if the PBS provided space improves their ability to accomplish their mission, in terms of productivity. PBS performs this transaction-based survey on new space requests completed for customer agencies. The survey is used to determine whether PBS contributes to meeting customer goals.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** This was a new measure and setting the target was difficult. PBS failed to meet the target because it failed to set expectations with both the Realty Specialists and the customers. PBS will educate the Realty Specialists on the importance of this measure so they can educate customers when a project begins by letting them know that their space should improve their productivity. This sets expectations for both parties at the beginning and makes them aware of this function. Part of the programming and space requirements development should include consideration of this factor through adjacencies, workflow, location of equipment, technology, use of natural light, group interaction space as needed, privacy as needed, convenience, close proximity to transportation, eating places, etc.



**GSA-WIDE GOAL 6: CARRY OUT SOCIAL, ENVIRONMENTAL AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY**

PERFORMANCE GOAL	RESULT
IMPROVE ENERGY REDUCTION IN STANDARD FACILITIES.	GOAL NOT MET

PERFORMANCE GOAL
Improve energy reduction in standard facilities.
MEASURE
Percentage reduction in energy consumption from FY 1985 baseline.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
20.0%	18.4%	22.5%	25.0%	18.6%

**DESCRIPTION OF THE MEASURE:** This measure effectively tracks progress of energy reduction in GSA-owned and operated buildings against a 1985 baseline and is the only PBS performance measure that is mandated by federal statute and executive order. The energy consumption of the U.S. affects the national and world environment as well as the world economy. PBS energy consumption is driven by customer needs, building design, building management and variable weather conditions. As a responsible steward of the environment, PBS is committed to implementing energy-saving solutions that improve the energy efficiency of its operations and save taxpayer dollars. PBS will continue to use environmentally safe and sustainable energy sources where possible and economically feasible.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** PBS reduced the energy consumption of its buildings by 20 percent from 1975 to the baseline year of 1985. The exact impact of extreme weather on PBS’s energy reduction efforts is unknown; however, this measure is heavily dependent on the weather and it is apparent that the harsh winter of 2002/2003 greatly affected PBS’s recent energy consumption numbers. PBS’s Energy Center of Expertise is currently developing methodology to better identify the impact of weather on PBS energy consumption, thereby enabling energy managers to normalize the affects of weather and better quantify energy reduction progress. Additionally, PBS is developing processes to ensure greater efficiency in new building construction and major building renovation projects. Furthermore, a National Business Solution was developed this year to identify the role of each region in meeting the PBS performance measure and to develop a regional plan for meeting the target.

## FEDERAL SUPPLY SERVICE

**FSS** provides a wide variety of products and services at competitive prices to the federal agencies that provide for the public welfare.

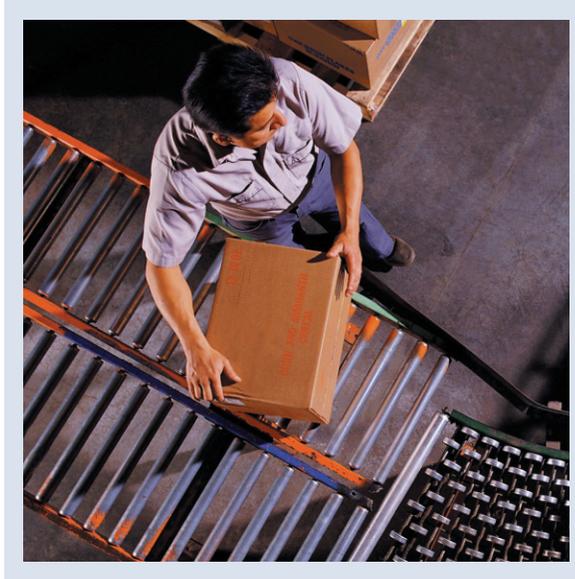
### PERFORMANCE HIGHLIGHTS

The paragraphs below summarize FY 2003 FSS key performance results by business line.

**SUPPLY:** In FY 2003, Global Supply sales to federal customers totaled over \$1 billion, nearly 45 percent of which can be attributed to support of strategic customers. This reflects an increase in strategic support of approximately 15 percent from FY 2002. "Strategic" is defined as providing critical support to customers that have no commercial alternative for product fulfillment; for example, military customers overseas and Wildland agencies in charge of fire suppression. Support to military customers increased by approximately 55 percent, practically all of which can be attributed to deployments leading up to Iraqi Freedom and the sustained level of support since the end of the war. The increase was not unlike that experienced during the Desert Storm build-up, and continues to be well within GSA response capacity.

**COMMERCIAL ACQUISITION:** The IT Acquisition Center in the Central Office continues to have the largest MAS sales volume with approximately two thirds of the sales for services and one third for products. With IT schedule sales at nearly \$16 billion in FY 2003, sales increased from FY 2002 by 19 percent or \$2.6 billion. Services account for approximately 60 percent of the MAS program sales, and are growing faster than products. Some of the fastest growing services are:

- Logistics Worldwide, Marketing, Media & Public Information and Language Services – FY 2003 sales have increased more than 100 percent over FY 2002 sales. These schedules are relatively new.



- Professional Engineering Services – nearly 80 percent increase in sales from FY 2002.
- Environmental Services – rapid sales growth in FY 2002, and increased again in FY 2003 by 21 percent over FY 2002 sales.
- Management, Organizational & Business Improvement Services – sales increased 41 percent from FY 2001 to FY 2002. Though this rate of growth was not maintained in FY 2003, this schedule surpasses \$1 billion in sales annually.

Other fast growing services:

- Products account for approximately 40 percent of MAS program sales. Products from the GSA Hardware Superstore, in Kansas City, MO are among the fastest growing sales.

# FSS

- Sales in tools grew more than 93 percent from FY 2001 to FY 2002. As schedules continue to provide state-of-the-art tools and accessories at reasonable prices, customers continue to look to schedules to fulfill their requirements. This growth may also be attributable to more do-it-yourself philosophies as agencies face budget and personnel constraints.
- Sales of appliances grew approximately 100 percent from FY 2001 to FY 2002. This growth trend is expected to continue because schedule offerings provide the latest in energy efficient appliances and the emphasis on “quality of life” may result in continued replacement of appliances in barracks, housing areas, hospitals, jails and prisons.

**VEHICLE ACQUISITION AND LEASING SERVICES:** The GSA fleet grows through transferring vehicle ownership and management responsibilities of other federal agencies’ fleets to GSA. These fleet consolidations are a smarter solution for the federal government and, with over 94,600 consolidations since 1985, save the taxpayers over \$85 million per year. This service is funded through monthly rates and mileage fees by vehicle type.

During FYs 2002 and 2003 over 6,700 vehicles were consolidated into the GSA fleet. Savings through vehicle consolidation into the GSA fleet will continue to reduce costs to customer agencies, eliminating capital requirements for vehicles and decreasing the need for personnel to manage fleets. GSA fleet services traditionally cost 25 percent less than the private sector and continue to provide the best value to the federal government.

The two biggest consolidations, over the past three years, CONUS Air Force (USAF) and the Navy base in Sigonella, Italy (EuroUSN) illustrate customer savings from GSA management of their fleet requirements. The bulk of the vehicles are in the \$680 range of savings per vehicle per year.

	FY 2001	FY 2002	FY 2003
<b>USAF</b>			
No. of Vehicles	3,336	1,659	1,148
Savings per vehicle/year	\$136	\$136	\$136
Total Savings	\$453,696	\$225,624	\$156,128
<b>EuroUSN</b>			
No. of Vehicles			420
Savings per vehicle/year			\$5,213
Total Savings			\$2,189,460

**TRAVEL AND TRANSPORTATION:** The Travel and Transportation business line helps control the federal government’s direct and administrative costs for travel and transportation services. Travel services include negotiated airline contracts, travel agency and travel charge card services. Transportation services include the shipment of parcels, freight and household goods. The business line also oversees the use of audit contractors to examine the government’s air passenger, freight and household goods transportation billings to identify and seek recovery of incorrect billings and overpayments for the federal government. In recent years, federal travel and transportation budgets have totaled approximately \$24 billion each year. This business line is funded through fees paid by federal agencies.

**PERSONAL PROPERTY MANAGEMENT:** The personal property program provides for property sales through comprehensive, cost-effective solutions. Property no longer needed by one federal agency is entered into an electronic system for screening and use by other federal agencies, thereby avoiding new procurements. Property with no further federal use can be screened electronically and is offered at no cost to state and local governments and eligible non-profit groups. Property whose value cannot be extended by reuse or donation is sold to the public, primarily through on-line auctions. The utilization and donation program of the Personal Property Management business line is funded by \$11.5 million in congressional appropriations; \$12.7 million in receipts funded the sales program.

## FSS PERFORMANCE BY GSA-WIDE GOAL

### GSA-WIDE GOAL 1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

PERFORMANCE GOAL	RESULT
INCREASE VALUE TO THE CUSTOMER; PROVIDE CREATIVE SOLUTIONS, INNOVATIVE SERVICES AND PRODUCTS.	GOAL MET

PERFORMANCE GOAL
Increase value to the customer through expanded offerings and improved FSS contract vehicles for providing increasingly effective alternatives to more costly acquisition processes.
MEASURE
Growth in federal agency usage of the FSS programs (business volume).

	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
<b>BUSINESS VOLUME</b>	\$22.5B	\$22.6B	\$27.3B	\$28.3B	\$33.8B
<b>PERCENT CHANGE</b>	27.8%	0.5%	20.8%	3.66%	23.8%

**DESCRIPTION OF THE MEASURE:** FSS leverages the experience of its associates across all services and product lines, and links customer-centric strategies at all levels of the organization to develop optimal service and product solutions for its customers.

FSS customers want a balance between cost and quality; with programs that are economical, efficient and effective and with potential for enhancement. Success is measured by increased use of programs. By striking the right balance, customers will increase the use of FSS programs resulting in increased FSS business volume.

FSS derives its definition of best value from business volume and customer satisfaction. Business volume will increase as more customers turn to FSS for best value solutions for the acquisition of products and services.

Business volume is defined as “leveraged sales” for schedules and other fee-based programs. Leveraged sales are the total value of the items or services the customer agency purchases using an FSS Schedule (including the fee that the FSS receives as a result of this purchase). For other FSS programs that are not fee based, business volume refers to total sales, including costs of goods sold.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** FSS business volume surpassed the FY 2003 target due to higher than expected sales in its Acquisition Centers. Business volume for FSS Acquisition Centers was \$6 billion higher than planned.

# FSS

FSS responded to customer needs with new schedules and more efficient acquisition processes. The new schedules are growing faster than anticipated. The explosive growth in the use of eBuy, the electronic request for quotes (RFQ) tool, is another contributing factor to the higher than expected business volume for FY 2003. Additionally in FY 2002 and FY 2003, FSS embarked on an aggressive training initiative to educate customers on the proper use of the MAS program and its benefits. This customer education has undoubtedly affected the growth in use of the MAS program, which results in greater-than-target FSS business volume.

## GSA-WIDE GOAL 3: OPERATE EFFICIENTLY AND EFFECTIVELY

PERFORMANCE GOAL	RESULT
REDUCE OPERATING COSTS.	GOAL MET

PERFORMANCE GOAL
Reduce the FSS operating costs. Implement and sustain internal business processes that optimize reliable, timely and quality service.
MEASURE
Operating cost per \$100 business volume.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
\$1.88	\$2.20	\$1.76	\$1.73	\$1.47

**DESCRIPTION OF THE MEASURE:** This is a productivity measure. As FSS produces more business volume at a lower cost, the measured result indicates a more efficient and productive organization. By measuring operating cost per \$100 business volume, FSS is able to track how well strategies and initiatives to improve efficiency and effectiveness are working. As efficiency is improved through these processes, FSS anticipates that the operating cost per \$100 business volume will decrease.

The formula for calculating operating cost per \$100 business volume equals total operating costs divided by total business volume, multiplied by 100. "Operating Costs" as defined for this measure, are selling, administrative and other expenses associated with operations, and exclude expenses such as cost of goods sold, transportation, etc. Business volume equals the total leveraged business volume.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** FSS performance surpassed the target for FY 2003 due to less than planned operating costs and higher than expected business volume. Optimizing operating costs is a continuing key operational strategy. FY 2003 costs were lower than planned. Strategies for decreasing operating costs include leveraging IT through eGov initiatives (eAcquisition, eTravel, eBuy, etc.), implementing process improvements to optimize reliable, timely and quality service (expanding on-line tools and eSystems, such as Advantage, eBuy, eLibrary) and implementing sales automation software and strategic planning for IT expenditures.

Two major factors contributed to higher than targeted FY 2003 business: (1) higher than expected growth in the use of new schedules for services; and (2) explosive growth in the use of the new electronic RFQ tool, eBuy.

**GSA-WIDE GOAL 4: ENSURE FINANCIAL ACCOUNTABILITY**

PERFORMANCE GOAL	RESULT
ENSURE ACCURATE FORECASTING AND COST MANAGEMENT TO LEVERAGE OPERATIONS AND OPTIMIZE PRICING.	GOAL NOT MET

PERFORMANCE GOAL
Ensure accurate forecasting and cost management to leverage operations and optimize pricing.
MEASURE
Planned vs. actual cost.

	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
<b>PLANNED</b>	\$3,063M	\$3,141M	\$3,171M		\$3,477M
<b>ACTUAL</b>	\$3,136M	\$3,146M	\$3,398M		\$3,645M
<b>VARIANCE</b>	2.38%	0.16%	7.15%	-3% to +3%	5%

**DESCRIPTION OF THE MEASURE:** This measure applies to FSS business lines only. It is actual total cost variance from plan, calculated as revenue minus profit/loss. The annual target is set at -3 to +3 percent to maintain an acceptable level of performance with an appropriate amount of resources. This is a business operational target to track forecasting and pricing. Accurate forecasting ensures that customers are not overcharged or undercharged for the goods and services FSS delivers. This measure shows the effectiveness of FSS’s planning capabilities.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** FSS realized higher than expected costs for the new general ledger system, Pegasys and for telephones. A reallocation of telephone costs among the GSA Services resulted in higher actual telephone costs for FSS.

# FSS

PERFORMANCE GOAL				
Manage operating costs so that they are equal or less than revenue.				
MEASURE				
Total cost as percent of revenue.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
94.8%	97.1%	97%	97%	97%

**DESCRIPTION OF THE MEASURE:** This measure focuses on how well FSS controls costs and attracts new revenue. It applies to FSS business lines only and is computed by dividing total business line costs by business line revenue. Total cost includes business line direct costs and allocations. This measure provides FSS management with a quick view of the financial health of each business line; it is a profit and loss type measure that is used in private industry. The target is set at 97 percent because many FSS business lines are subject to environmental factors beyond our control. The significant changes in fuel prices for GSA's fleet operations in past years is one example. The 3 percent margin is used to cover risks associated with factors beyond our control.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** FY 2003 results are consistent with FSS's plan and contribute to the steady financial health of the organization. In a complex \$3 billion budget, the actual performance for this measure missed the target by 0.31 percent. FSS performance on this measure required very careful planning and management of both costs and revenues.

PERFORMANCE GOAL				
Manage direct costs, leverage operations and optimize pricing to ensure that best value is provided to customers agencies and the taxpayer.				
MEASURE				
Direct cost as percent of revenue.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
7.9%	7.6%	6.9%	7.3%	6.7%

**DESCRIPTION OF THE MEASURE:** This is a productivity measure. As FSS realizes more revenue at a lower cost, the measured result indicates a more efficient and productive organization.

FSS has control over both the direct costs and revenues and can create initiatives that will positively affect both factors. This measure focuses on how well FSS controls costs and attracts new revenue.

This indicator measures business lines and support offices separately. Direct costs are divided by revenue. Direct costs exclude allocations. For business lines, direct costs exclude allocations; revenue is the business line's revenue. For support offices, direct costs are the costs associated with that office, revenue is total FSS revenue.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** This measure requires planning and management of both direct costs and revenue. While FSS has control over direct costs, the sales and revenues under the FSS schedules program has a major impact on this measure. The revenues from the sales in the schedules program have been increasing faster than costs over the past few years. Revenue is realized by the industrial funding fee (IFF) cost recovery method. Because FSS has become more efficient, FSS will reduce the IFF in FY 2004, and next year's performance on this measure will likely be more on target.

**GSA-WIDE GOAL 6: CARRY OUT SOCIAL, ENVIRONMENTAL AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY**

FSS has determined that socioeconomic business volume is the best outcome measure for government responsibility. The strategies to achieve this goal include actively facilitating customer's compliance with procurement laws and regulations and promoting solutions for socioeconomic and environmental policies. FSS designs its programs and processes around these strategies as part of its mission responsibilities, and provides training opportunities for customers about proper and effective use of FSS programs.

PERFORMANCE GOAL	RESULT
INCREASE CUSTOMER AGENCY SUPPORT OF GOVERNMENT-WIDE SOCIOECONOMIC GOALS.	GOAL MET

PERFORMANCE GOAL
Increase customer agency support of government-wide socioeconomic goals.
MEASURE
Percentage of socioeconomic business volume.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
30.55%	33.10%	33.73%	33%	33.24%

**DESCRIPTION OF THE MEASURE:** This measure ensures that socioeconomic businesses are getting their share of business under FSS programs.

This indicator measures the amount of FSS schedules business volume of goods and services that meet specific socioeconomic criteria established by SBA. The calculation is: Stock, SOP, direct delivery purchases, and schedules transactions divided by total business volume for the Commercial Acquisition and Supply business lines.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The target represents an increase in socioeconomic business volume proportional to the increase in the total FSS business volume. The FY 2003 target was set to maintain an acceptable level of performance. FSS's FY 2003 performance results for this goal are exceptional, considering that the FSS business volume (the denominator in the equation for this measure) exceeded the target by over 20 percent.

## FTS

## FEDERAL TECHNOLOGY SERVICE

**FTS** provides telecommunications and IT products and services to federal agencies in support of their mission to the public. FTS adds value by advising and consulting with agency customers to help them assess needs, identify solutions, write statements of work or task orders and manage projects.

### PERFORMANCE AND RESULTS BY BUSINESS-LINE

**NETWORK SERVICES:** Declining prices, a general downturn in the capital markets and the economy, downsizing, mergers and allegations of wrongdoing have challenged the telecommunications industry. FTS Network Services – long distance and regional telecommunications – has responded proactively to these challenges by:

- Timely sharing information with customers, Congress and industry partners;
- Assessing the impact of the MCIWorldCom (name changed to MCI) bankruptcy to ensure FTS has a Continuity of Operations' strategy for its customers who are provided services by this vendor;
- Monitoring and planning contingencies when Winstar was facing potential bankruptcy filing. FTS participated with the Department of Justice bankruptcy hearing to represent the interests of the government and potential impact to government telecommunication services if Winstar ceased operations;
- Actively monitoring the regulatory actions of the Federal Communications Commission and the State Public Utility Commissions for rules and/or regulations that may impact FTS service offerings;
- Reviewing access charges and other telecommunications charges to ensure that FTS industry partners comply with rules and regulations and do not over-charge customers for services provided; and
- Adding new industry partners to provide choice to FTS customers and to enable the potential for alternative and/or redundant offerings that help ensure continuity of services.

FTS Network Services will continue to watch the regulatory and market environment for potential impact to its customers and its service offerings. The performance of FTS industry partners will continue to be monitored, contingency plans for possible outcomes will be developed and information will be shared with FTS customers, Congress and Industry partners.

**INFORMATION TECHNOLOGY (IT) SOLUTIONS:** The IT Solutions program provides a comprehensive range of IT products and assisted services to its federal government clients on a fully cost-reimbursable basis through contracts with industry partners – from the routine acquisition of IT to the design, acquisition, implementation and maintenance of very large-scale secure, survivable, integrated computing environments.

The program offers flexible, full-service IT solutions with access to a wide variety of contracting vehicles that can



be specifically tailored to the requirements of individual clients. ITS can quickly obtain products and services from existing GSA Schedules and Government-wide Acquisition Contracts (GWAC), from internal contracts designed for particular types of client needs as well as using the contracting offices of other agencies. ITS can also design, award and administer client-specific contracts on behalf of the requesting agency. Customers may engage National and Regional IT Solutions program offices at a variety of service levels – from simple acquisition and delivery, to the provision of comprehensive technical, contracting, financial and administrative services, including full-scale project management.

The National IT Solutions program offices are organized around their customers so that they may leverage long-term relationships with those customers and develop in-depth knowledge of their missions and strategic plans. In many cases, associates are located in customer space working along side of the customer.

The Regional IT Solutions program offices combine its in-house technical expertise with commercially available technology to provide timely and cost-effective IT

products and services to its customer agencies within particular geographic regions. The fact that Regional IT Solutions offices are located in close physical proximity to their customer bases reduces travel time and overhead, fosters close customer ties and leads to much repeat business. For example, the Southeast Sunbelt Region’s geographical territory houses several very large military bases that include Joint Commands with large client requirements.

Within the IT Solutions business line, there are technological opportunities to improve business services. By far, the greatest value opportunity is the replacement of Regional and National IT Solutions business systems with a single project ordering and management system using commercial off-the-shelf software. A business systems modernization program, called 3rd Generation System (3GS), is underway which will drastically improve business service delivery. By unifying the FTS task order business under 3GS, FTS will simplify and improve the manner in which it supports its clients and conducts business with its industry partners.

## FTS PERFORMANCE BY GSA-WIDE GOALS

### GSA-WIDE GOAL 1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

PERFORMANCE GOAL	RESULT
INCREASE CUSTOMER SATISFACTION, INDICATING PROGRESS IN SERVICE DELIVERY AT BEST VALUE.	GOAL MET
FOSTER COMPETITION TO BENEFIT FEDERAL AGENCIES BY PROMOTING QUALITY SERVICES AT LOWER PRICES.	GOAL MET
ASSIST CUSTOMERS IN ACHIEVING SAVINGS IN THE ACQUISITION OF PRODUCTS AND SERVICES. (NETWORK SERVICES - LONG DISTANCE)	GOAL MET
ASSIST CUSTOMERS IN ACHIEVING SAVINGS IN THE ACQUISITION OF PRODUCTS AND SERVICES. (NETWORK SERVICES - REGIONAL TELECOMMUNICATIONS)	GOAL NOT MET

# FTS

PERFORMANCE GOAL				
Increase customer satisfaction, indicating progress in service delivery at best value.				
MEASURE				
Percentage of customers indicating satisfaction on annual customer survey.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
76%	N/A	73.6%	75%	79.5%

**DESCRIPTION OF THE MEASURE:** Dougherty and Associates, Inc are conducting a quantitative study of federal government customers to evaluate and benchmark satisfaction with FTS products and services. The methodology called for collecting data from 1,484 federal government customers during September 2003. The established survey quota groups are sufficient for each of the FTS business units to report statistically valid customer satisfaction results.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The target was exceeded due to an increase focus on customer requirements. The FY 2003 survey included all of FTS business lines and was for a period of 12 months versus the FY 2002 survey, which included customers that had been with FTS for at least 24 months. The FY 2003 target was exceeded by 4.5 percent and improved over last year's results (73.6 percent) by 5.9 percent.

PERFORMANCE GOAL				
Foster competition to benefit federal agencies by promoting quality services at lower prices.				
MEASURE				
Percentage of task and delivery orders subject to the fair opportunity process.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	70%	70%	80%	86%

**DESCRIPTION OF THE MEASURE:** As an executive agent, GSA is authorized to award and administer task and delivery orders against Government-wide Acquisition Contracts (GWAC) on behalf of other federal agencies. This performance measure tracks the percent of task orders in which all contract holders were afforded a fair opportunity to be considered for the award. There are four authorized exceptions to the fair opportunity process: 1) urgency; 2) unique source; 3) logical follow ons; and 4) minimum guarantee, when a certain level of business was guaranteed to the original contractor. This metric is an indicator of the competition fostered in placing orders against the GWACs.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The target was exceeded due to management emphasis on limiting the use of exceptions to the fair opportunity process. This resulted in an increase of tasks orders subject to fair opportunity reflecting increased competition.

PERFORMANCE GOAL
Assist customers in achieving savings in the acquisition of products and services by providing state-of-the-art, commercial telecom products and services at competitive rates (long distance).
MEASURE
Cumulative cost savings below commercial discounted services for Switch Voice Service (SVS), Dedicated Transmission Service (DTS), Frame Relay Service (FRS), Asynchronous Transfer Mode (ATM) and Internet Protocol Service (IPS).

	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
<b>SVS</b>			\$ 32.8M	\$186.5M	\$184.0M
<b>DTS</b>				\$171.0M	\$143.4M
<b>FRS</b>				\$142.0M	\$179.7M
<b>ATM</b>				\$ 42.0M	\$ 44.4M
<b>IPS</b>				\$ 2.0M	\$ 22.6M
<b>TOTAL</b>				\$543.5M	\$574.1M

**DESCRIPTION OF THE MEASURE:** Cumulative cost savings across FTS2001 product lines are based upon best commercial price comparisons. FTS2001 product lines are SVS, DTS, FRS, ATM and IPS. In FY 2003 this measure was expanded from SVS to all services.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** This measure reflects the cumulative savings that FTS’s customers realized as a result of obtaining Long-distance network services from GSA’s FTS. Savings are calculated each quarter, by service category, and are the result of comparing FTS prices to those prices of large commercial companies obtained from the same commercial carriers we use (MCI, Sprint, AT&T, etc.). Individual agency savings are dependent upon the actual service acquired and the volume of service obtained. The target was exceeded by approximately 5 percent as reflected on the chart above.

During FY 2003, the Network Services Long Distance Program has provided tremendous economic value to FTS’s customers, saving them \$574.1 million dollars this year alone. Depending on the category of service (SVS, FRS, DTS, ATM, IPS) savings range from 45 percent to 68 percent below best commercial prices with an average savings of 53 percent below commercial pricing.

# FTS

PERFORMANCE GOAL				
Assist customers in achieving significant savings in the acquisition of products and services (Regional Telecommunications).				
MEASURE				
Cost savings in major metropolitan areas.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
\$0.25M	\$3.0M	\$33.5M	\$46.0M	\$42.1M

**DESCRIPTION OF THE MEASURE:** FTS is committed to offering customers quality services at competitive prices. Metropolitan Area Acquisition (MAA) contracts offer significant savings to customers in metropolitan areas that are served by the MAA program. This measure reflects estimated cost savings due to MAA implementation and pricing.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Through 48 fully competed contracts the MAA provides service to 26 major metropolitan areas. MAA's offer a wide variety of local voice and data services, analog or digital, with more than 60 basic and enhanced features to choose from in meeting individual agency configuration needs. This goal was not met. The \$46 million was a goal based on estimated savings and potential growth. FTS did meet it's goal for bringing on new customers. The savings target was not met due to the fact that the new business yielded a smaller savings than originally targeted. Although we did not meet FTS's FY 2003 target, to date, the MAA program continues to achieve 30 to 60 percent savings over commercial rates and overall, potentially saved federal customers an estimated \$100 million. These cost savings provide FTS customers with the ability to fund new requirements and technology without increasing their budgets, thus saving the taxpayer money. The Metropolitan Area Acquisition (MAA) program is part of an overall federal telecommunications strategy designed to foster competition in government telecommunications services. The MAA program spearheads the GSA strategy to market and deliver competitive and innovative services to existing customers.

## GSA-WIDE GOAL 3: OPERATE EFFICIENTLY AND EFFECTIVELY

PERFORMANCE GOAL	RESULT
PROVIDE TIMELY AND EFFECTIVE TELECOMMUNICATIONS SERVICE.	GOAL MET
IMPROVE ACQUISITION PROCESSES AND METHODS TO REDUCE TIME TO AWARD LOCAL TELECOMMUNICATIONS.	GOAL MET
PROVIDE TIMELY AND EFFECTIVE SERVICE DELIVERY OF LOCAL TELECOMMUNICATIONS.	GOAL MET
IMPROVE ACQUISITION PROCESSES AND METHODS TO REDUCE TIME TO AWARD TASK ORDERS FOR IT SOLUTIONS.	GOAL MET
PROVIDE COMPETITIVE PRICES TO CUSTOMERS.	GOAL MET

PERFORMANCE GOAL	
Provide timely and effective telecommunications service.	
MEASURE	
Average number of days to complete contract modifications for FTS2001 and for Crossover.	

	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
<b>FTS 2001</b>			35 days	36 days	25 days
<b>CROSSOVER</b>			38 days	54 days	19 days

**DESCRIPTION OF MEASURE:** This performance measure covers additional offerings made available to customers through the contract modification efforts for the FTS2001 (Long Distance) and Crossover programs (long distance vendors to local and vice versa). The FTS2001 contract modifications and crossover allow GSA customers to add telecommunications technology and to modify the existing telecommunications contracts to run their missions more effectively. This performance measure focuses on two modification classifications:

Enhanced service modifications – function is to add various components or features of voice and data services provided by the FTS2001 and Crossover contracts, or improve these services.

Emerging service modifications – function is to add new telecommunications services under the FTS2001 contract and through Crossover initiatives.

The goal established for FTS Network Services service delivery operations focuses on achieving a 10 percent reduction in processing times over the previous year. The streamlined contract modifications and crossover initiatives result in expanded network service offerings, promoting additional opportunities to provide ‘best value’ FTS solutions to support customers’ mission requirements.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The average number of days for FTS2001 modifications has been 25 days for FY 2003. FTS contract modification times have been an average of 30 percent better than plan for FY 2003. The average number of days for Crossover modifications has been 19 days for FY 2003. FTS contract modification times have been an average of 64 percent better than planned for FY 2003. The actual results were better than anticipated due to the program implementing re-engineering initiatives to provide timely and effective service delivery.

The Network Services Long Distance Program is constantly modifying existing contracts to introduce new products, services and technology to meet customer demands and keep pace with the changing market place. During FY 2003, the Network Service Long Distance Program has completed (cumulative results through September 30, 2003) 65 contract modifications and enhancements (FTS2001, 30 and Crossover, 35).

# FTS

PERFORMANCE GOAL				
Improve acquisition processes and methods to reduce time to award for local telecommunications.				
MEASURE				
Average number of days to complete contract modifications.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	43 days	60 days	38 days

**DESCRIPTION OF THE MEASURE:** The FTS Office of Regional Services offers local telecommunications service and solutions through numerous awarded contract vehicles. The timeliness of contract modifications (to include technology refreshment and crossover provision) is critical to providing timely and effective service delivery.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The target was exceeded due to efforts to streamline procedures. The Office of Regional Services worked with the regions to decrease the number of days to complete contract modifications. Improvements include enhancements to the evaluation process, implementing a program to track the modifications and weekly status reporting. The expeditious awards of contract modifications benefit FTS customers by offering cost effective state of the art telecommunications solutions in a timely manner. Taxpayer benefits include improved service delivery that is more closely aligned with commercial practices.

PERFORMANCE GOAL				
Provide timely and effective service delivery of local telecommunications.				
MEASURE				
Percentage of time negotiated completion date for local network service is met or bettered.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	N/A	85%	90%

**DESCRIPTION OF THE MEASURE:** This measure tracks service delivery time intervals (expected versus actual service delivery) to improve the accuracy and timeliness of local telecommunications service delivery.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The actual result is based on a sampling from three major national projects in support of DHS's Transportation Security Administration, Department of Justice (DOJ) and OCIO. The target was exceeded due to increased efforts to improve local telecommunications service delivery. We are re-evaluating the use of sampling to measure this and use a more comprehensive approach.

PERFORMANCE GOAL				
Improve acquisition processes and methods to reduce time to award task orders for IT solutions.				
MEASURE				
Percentage of negotiated award dates for services and commodities that are met or bettered.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	91%	90%	91%

**DESCRIPTION OF THE MEASURE:** To improve customer communications concerning task order requirements and service expectations, the Client Support Centers track and report actual task order award dates for services and commodities against the task order award dates that have been negotiated with customers.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Actual task award dates have been on target with customer requested award dates in FY 2003.

PERFORMANCE GOAL				
Provide competitive prices to customers.				
MEASURE				
Percentage of dollar savings between Independent Government Cost Estimates (IGCE) and award amounts.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	5.5%	6.0%	7.3%

**DESCRIPTION OF THE MEASURE:** IGCE is a tool used by the acquisition staff; it serves as the initial benchmark against which all proposals are measured to determine price reasonableness. The cost estimate is also used during negotiations to obtain the best price for the customer. The methodology comparing the IGCE to the award amount is an interim measure pending the identification of alternatives to measure cost savings and procurement effectiveness.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Target was exceeded due to increased emphasis on use of the IGCE to negotiate best prices for the customer agency.

**GSA-WIDE GOAL 4: ENSURE FINANCIAL ACCOUNTABILITY**

PERFORMANCE GOAL	RESULT
INCREASE BUSINESS VOLUME.	GOAL MET
ACHIEVE NET OPERATING RESULTS TO INCREASE RETAINED EARNINGS IN IT FUND FOR FUTURE CAPITAL INVESTMENT.	GOAL NOT MET
IMPLEMENT BUSINESS PROCESS EFFICIENCIES TO REDUCE COST OF DELIVERING PRODUCTS.	GOAL NOT MET
ENSURE FULL COST RECOVERY OF OPERATIONS.	GOAL NOT MET

PERFORMANCE GOAL
Increase business volume.
MEASURE
Percentage growth in business revenue.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	14.6%	9.1%	22.5%

**DESCRIPTION OF THE MEASURE:** Revenue forecasts are developed during the budget process based on planned levels of orders and expected performance. Accurate forecasting of new orders, as well as unfilled orders, is a key element in the development of revenue, operating expense and margin.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The primary driver was the increased business volumes in the Regional IT Solutions business unit, which experienced growth of more than \$1 billion. The growth was mainly due to the DOD customers, who posted increased volumes across most of the regions.

PERFORMANCE GOAL				
Achieve net operating results to increase retained earnings in IT fund for future capital investment.				
MEASURE				
Net Operating Results (NOR).				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	\$34.01M	\$14.96M	\$(0.91M)

**DESCRIPTION OF THE MEASURE:** NOR measures the use of resources in providing goods and services to federal customers. This measure reflects the management control of operating costs, reserve expenditures, pricing/fee structure and revenue forecasting capabilities. A positive NOR allows FTS to contribute toward maintaining a sufficient level of retained earnings (reserves) which are necessary to operate the IT Fund. In addition, NOR also addresses investment in new initiatives that offer potential in terms of new services and cost savings to client. Subsequently, funds accumulated in retained earnings (reserves) allow FTS to manage its resources in a fiscally responsible manner and stabilizes prices to customers, permitting them to better forecast their budget needs.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The decrease in NOR is primarily due to a prior period adjustment (\$19 million in the long distance program), and the increase in the overall cost of operations was required to support the growth in business volumes.

PERFORMANCE GOAL				
Implement business process efficiencies to reduce cost of delivering products.				
MEASURE				
Direct operating expenses as a percentage of gross margin.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	59%	49%	64.4%

**DESCRIPTION OF THE MEASURE:** There are two primary elements in providing value-added products and services to federal customers: cost of product and cost of delivering product. Operating expenses reflect the GSA cost of delivering products to federal agencies. These costs are recovered through established prices/rates charged to customers. The success of FTS relies on its ability to offer customers quality services at competitive prices; control and management of the cost of delivering product is critical to assess the organizational process improvements.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** If you remove the \$19 million prior year expense adjustment from the Gross Margin, the actual percent of Direct Operating Expenses to Gross Margin for FY 2003 would be 60 percent (vs. last year's 59 percent). However, the FY 2003 target of 49 percent projected a reduction in operating costs that we were not able to achieve. FTS is developing improvements to its forecasting methodology to prevent such variances from recurring.

# FTS

PERFORMANCE GOAL				
Ensure full cost recovery of operations.				
MEASURE				
Contribution Index.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	1.58	1.09	1.06

**DESCRIPTION OF THE MEASURE:** Contribution index represents the ratio of gross margin to the total operating expenses and measures the organization’s ability to fully recover its cost of delivering product, including any planned profits, which are contributed toward maintaining a sufficient level of retained earnings. This measure provides fundamental information about the operating activities of the organization and is used to monitor, control and revise the operations to meet FTS strategic objectives.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The variance of target versus actual is primarily due to forecasting of revenue and expenses. Emphasis will be placed on improved accuracy of revenue projections and cost requirements in FY 2004, so that the contribution index target and actual will be closer, allowing for a more balanced allocation of resources and spending.

## **GSA-WIDE GOAL 5: MAINTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE**

PERFORMANCE GOAL	RESULT
RECRUIT, HIRE, DEVELOP AND RETAIN A HIGHLY SKILLED WORKFORCE.	GOAL NOT MET

PERFORMANCE GOAL				
Recruit, hire, develop and retain a highly skilled workforce.				
MEASURE				
Percentage of Individual Development Plans (IDP) updated annually and documented.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	81%	90%	87%

**MEASURE DESCRIPTION OF THE MEASURE:** Associates are the most vital assets of FTS in providing the highest quality solutions to federal agencies' technology needs. To ensure continued success, FTS will continue to encourage associates to give time and thought to Individual Development Plans to improve their skills and expertise.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The target was not met in FY 2003 primarily due to changes in Region 10. During FY 2003, Region 10 improved the review and development process of their IDPs. The changes/restructuring efforts caused the region not to meet its targets. However, the IDP's are now competency based, and aligned with budget and performance deadlines.

PERFORMANCE GOAL				
Recruit, hire, develop and retain a highly skilled workforce.				
MEASURE				
Average number of training hours completed in mission-critical areas of acquisition, technology, business and project management.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	38	50	42

**DESCRIPTION OF THE MEASURE:** The measure is the average number of training hours. In FTS effective service delivery relies largely on a highly skilled workforce; FTS associates are on the cutting edge of technology and must keep abreast of the latest technological changes. FTS associates receive training in its four mission critical areas: acquisition, technology, business and project management. In addition FTS invests in a range of leadership programs which provide associate development for the future as well as present needs of FTS, enabling the organization to be proactive and strategic in its planning.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** FY 2003 target was not met due to the low participation rate in the project management area of FTS. Management within the service determined that associates must address priority projects which limited the hours that they were available for training.



**GSA-WIDE GOAL 6: CARRY OUT SOCIAL, ENVIRONMENTAL AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY**

PERFORMANCE GOAL	RESULT
Achieve and maintain an appropriate level of procurements with small business.	GOAL MET

PERFORMANCE GOAL
Achieve and maintain an appropriate level of procurements with small business.
MEASURE
Percentage of procurements with small business as compared to total prime contracts.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
36%	30%	37%	31%	35%

**DESCRIPTION OF THE MEASURE:** The federal government purchases billions of dollars in goods and services annually and policy and law require that all small businesses have the maximum opportunity to participate in providing those goods and services. To ensure that small businesses receive an equitable share of the federal procurement dollars spent each year goals are negotiated with the Small Business Administration (SBA). The measure shows the relationship of the portion of total prime contracts awarded to small businesses by FTS.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** FTS attributes the actual results to efforts made by FTS personnel to ensure small businesses are provided the opportunity to participate in FTS contracts. FTS also attributes the achievement to continued use of existing contracts where small businesses are prime contract holders. FTS personnel participate in numerous special initiatives (e.g., networking breakfasts, procurement conferences, tradeshow and one-on-one counseling), which targeted the small business community.

## OFFICE OF GOVERNMENTWIDE POLICY

**OGP** exercises GSA's authority as one of the central management agencies of the federal government. OGP provides government-wide policies to improve the management of acquisition, property, travel and transportation and administrative services. OGP seeks to improve government services through the effective use of technology, performance measures, collaboration, regulations and best practices.

### PERFORMANCE AND RESULTS FOR FY 2003

Our most important role in benefiting taxpayers this year has been our role in the overall federal government eGov effort. Some examples of our efforts are as follows:

#### **EXTENSIBLE MARKUP LANGUAGE (XML) REGISTRY REPOSITORY:**

XML lays the technological foundation of interoperability, which allows sharing of technology and information flow across government. The OGP's XML.gov initiative will provide a consolidated cross-government approach to XML definition, storage and reuse among all Federal agencies and their partners. In addition, by providing a means of electronic information sharing that enables other eGov transactions, the initiative will yield efficiencies and directly benefit customers and stakeholders including federal entities, state entities, local entities and the public.

**RULES/RULEMAKING:** OGP participates in the eRulemaking initiatives and is becoming uniform internally by using standard processes and platforms. This includes an ongoing effort to digitize regulatory materials to allow staff greater access to materials, and to allow public access to requested materials, via Freedom of Information Act (FOIA) requests.



**CONTRACTS/CONTRACTING:** OGP has established the Interagency Contracts Directory (ICD), a searchable online database of contracts available for multi-agency use, in accordance with the Federal Acquisition Regulations (FAR) through a rule published in July of 2003. The ICD in contrast with the Federal Procurement Data System (FPDS) will list only the basic contract vehicles and will contain only contract vehicles available for other agencies use. It will allow a quick search of what is available for use and where it is located. Contracting activities are required to input information that will help other agencies perform market research on available contracts. Program Managers and Contracting Officers will be able to search on a number of contract characteristics including socio-economic elements to assist them in meeting, for instance, their small business goals.



## OGP PERFORMANCE BY GSA-WIDE GOALS

### GSA-WIDE GOAL 1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

PERFORMANCE GOAL	RESULT
ENSURE ADOPTION OF FEDERAL PREMIER LODGING PROGRAM (FPLP) WITHIN THE 77 TARGET MARKETS TO MEET FEDERAL TRAVELERS' NEEDS, REDUCING OVERALL GOVERNMENT SPENDING.	GOAL MET
MOVE FEDERAL AGENCIES TO COMMERCIAL PAYMENT PROCESSES FOR MAIL TO DRIVE AGENCIES TO BE MORE STRATEGIC IN THEIR OPERATIONS. (PERCENT)	GOAL NOT MET
MOVE FEDERAL AGENCIES TO COMMERCIAL PAYMENT PROCESSES FOR MAIL TO DRIVE AGENCIES TO BE MORE STRATEGIC IN THEIR OPERATIONS. (DOLLARS)	GOAL NOT MET
EXPAND THE USE OF PERFORMANCE-BASED CONTRACTING TO INCREASE GOVERNMENT EFFICIENCY.	GOAL NOT MET
SUPPORT AUTHENTICATION NEEDS FOR eGOV INITIATIVES.	GOAL NOT MET
FACILITATE THE CONSISTENT USE OF XML FOR FEDERAL eGOV INITIATIVES.	GOAL MET
INCREASE THE NUMBER OF AGENCY PROGRAMS USING OGP-FACILITATED PERFORMANCE MEASURES.	GOAL MET

PERFORMANCE GOAL				
Ensure adoption of FPLP within the 77 target markets to meet federal travelers' needs, reducing overall government spending.				
MEASURE				
Dollar savings to government over corporate rate.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	\$5.03M	\$24.75M	\$33.6M

**DESCRIPTION OF THE MEASURE:** This measure indicates the cost effectiveness of FPLP by measuring the savings to the government over the corporate rate. FPLP award rates are used to set per diem for FPLP locations. Projected cost savings are estimated by multiplying the estimated FPLP room nights used, by the average dollar savings (average FPLP rate compared to the average corporate rate). The number of room nights used by FPLP travelers will be verified by OGP management based on data submitted by participating properties on a monthly basis. Data from travel charge cards will also be gathered as a secondary source of FPLP usage information. OGP calculates the average FPLP rates after contract awards are made. Average corporate rates are provided by Adventure Travel. (Note: Corporate rates were used as the basis for savings instead of per diem rates because the basic premise of the FPLP is to use the marketplace to set the per diem rate rather than the old telephone survey method. There is not likely to be any significant savings by using the per diem rates as the basis for savings because FPLP rates are used to set per diem



rates in all FPLP locations. While many FPLP hotels may have rates below a particular per diem rate, many others will have rates equal to that same per diem rate. The real success of FPLP will be whether Federal travelers are able to get rooms in the locations they need.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Cost savings for FY 2003 are \$33.6 million; FPLP rates were 36 percent less than corporate rates. Savings were calculated by multiplying the projected room nights used (599,795) by the average savings over corporate rate (\$58). OGP achieved FPLP rates that are 35 percent better on average than corporate rates through a competitive contracting process under which lodging properties offers are not only benchmarked against each other but also against industry average daily rate data.

PERFORMANCE GOAL	
Move federal agencies to commercial payment processes for mail to drive agencies to be more strategic in their operations. (percent)	
MEASURE	
Percentage of federal mail payments to U.S. Postal Service (USPS) through commercial processes.	

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
16%	15%	17%	20%	16%

**DESCRIPTION OF THE MEASURE:** When federal line managers pay for postage as private sector organizations do, and account for postage costs through their standard accounting and budget processes, they are able to track postage costs in real time and identify opportunities to save money before they spend it. OGP believes that the result of these commercial processes will be cost savings.

This measure is derived by dividing the dollar value of payments to USPS made through commercial processes by the total federal spending with USPS. Data is collected from the 28 large federal agencies. As of June 2003, there were 28 large agencies that spend at least \$1 million annually on postage.

Federal Management Regulation, 41 CFR 102-192, requires agencies to move to commercial payment processes no later than October 1, 2003. The large, centrally managed federal mail programs (e.g., Social Security, Financial Management Service, Census), will probably achieve this goal within the context of the existing Official Mail Accounting System (OMAS) although this is not “commercial payment processes” as originally envisioned. These centrally managed mail programs, however, are capable of making their program managers accountable for postage costs and enforcing postage savings within the OMAS environment. Other agencies will be expected to move to existing commercial payment processes. OGP expects that it will take years for most agencies to fully implement their conversion, and this expectation is reflected in the targets for this performance measure.

New measures will be used for FY 2004 to reflect a change in our strategy. Since the largest agencies will continue to use the government-unique Official Mail Accounting System (OMAS) for the foreseeable future, the new measures will track the number of agencies that have plans in place to ensure accountability for mail costs, and the number that have implemented their mail accountability plans.



**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** At the time the existing measures were developed, we expected all federal agencies to convert to the commercial payment process and to be able to use commercial mail service vendors who are locked out by the OMAS. This has proven to be impractical, because it would require the Postal Service to build and maintain a second government-unique system along with the existing OMAS. In addition, the Treasury Department now requires that the federal spending on postage be kept in Treasury, which requires the use of OMAS. Several large agencies have requested and received a waiver from the conversion to commercial processes, which caused the actual 2003 measure to fall slightly short of the target.

PERFORMANCE GOAL				
Move federal agencies to commercial payment processes for mail to drive agencies to be more strategic in their operations. (dollars)				
MEASURE				
Dollar value of payments to USPS made through commercial processes.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	\$165M	\$190M	\$163.6M

**DESCRIPTION OF THE MEASURE:** The dollar value of federal mail payments to USPS is calculated by totaling the sum of the payments to USPS made through commercial processes. Data will be collected from the 28 large federal agencies. As of June 2003, there are 28 large agencies that spend at least \$1 million annually on postage.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Similar to the case of the percentage of federal mail payments to USPS, OGP anticipated that all federal agencies would convert to the commercial payment process. In addition, the Treasury Department required that all federal spending on postage remain within Treasury, requiring the use of the existing OMAS, as explained in the previous discussion. These circumstances outside our control have caused the target to fall slightly short of its goal.

PERFORMANCE GOAL				
Expand use of performance-based contracting to increase government efficiency.				
MEASURE				
Percentage of eligible service contract dollars awarded as performance-based contracting.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	15%	9%	30%	24%

**DESCRIPTION OF THE MEASURE:** Performance Based Contracting (PBC) (or Performance Based Service Actions (PBSA)) is a method for structuring all aspects of an acquisition around the purpose of the work to be performed as opposed to the manner by which the work is to be performed. The statement of work for a PBC focuses on the result desired rather than the specifications on the process. OMB directs that agencies write contracts using performance-based tech-



niques on at least 20 percent of the total eligible service contract dollars beginning in FY 2002, with increases each year, and up to 50 percent by FY 2005. Eligible contract dollars are contracts over \$25,000. This measure looks at the total GSA contract dollars in this category and calculates the percentage of these that are awarded as PBCs.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The calculation for FY 2003 Actual includes all eligible contract dollars over \$25,000 within GSA. Since leasing is not appropriate for PBC and FPS is no longer a part of GSA, these service dollars will be extracted from GSA’s total service dollars for FY 2003. This change was made to OGP’s database this year. FY 2001 and FY 2002 data included real property lease contracts and FPS contracts.

We missed the FY 2003 target because 1) we only have two quarters of data to report due to a lag in the legacy Federal Procurement Data System (FPDS); and 2) FY 2003 FPDS data includes errors and adjustments that require revisions. In the interim, these changes negatively impacted our planned goal. By the time four quarters of FY 2003 data are reflected, we anticipate that the 30 percent goal will have been achieved or exceeded, demonstrating GSA’s expanded use of performance based contracting.

PERFORMANCE GOAL				
Support authentication needs for eGov initiatives.				
MEASURE				
Number of eGov initiatives with completed authentication needs assessment and determined solution sets.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	6	22	13

**DESCRIPTION OF THE MEASURE:** The eAuthentication initiative is a cross cutting need that is intended to support the authentication needs of all 24 eGov initiatives. This measure provides the number of eGov initiatives that have been assessed for cross certification with the authentication Gateway.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The target for completed assessments of eGov initiatives is 22; as of the end of FY 2003, risk assessments have been completed on 13. Five initiatives were determined not to require eAuthentication’s risk assessment (E-RA) service; therefore, no risk assessments were performed on them. This reduced the total number of eGov initiatives in need of assessment from 22 to 17. The Office of Personnel Management and Environmental Protection Agency have been contacted and we are in the process of scheduling E-RA’s for them. The E-RA tool has been posted to the eAuthentication Web site (<http://cio.gov/eauthentication>) and is available for general use. We missed the target because agencies were less than responsive to OGP’s overtures to get the risk assessments done during the fiscal year.



PERFORMANCE GOAL				
Support authentication needs for eGov initiatives.				
MEASURE				
Number of eGov initiatives using the Gateway or common solution.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	2	6	3

**DESCRIPTION OF THE MEASURE:** The eAuthentication initiative is a cross-cutting need that is intended to support the authentication needs of all 24 eGov initiatives. This measure provides the number of eGov initiatives that have begun operating with the authentication Gateway.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The "3" in 2003 Actual refers to the number of eGov applications that were installed in the authentication gateway. Two of these are National Finance Center applications and one from the Social Security Administration. The SSA application went into limited production use in May, and demonstrated the practical application of the Gateway to the real-world transactions. SSA estimated the daily savings from limited number of prison facilities to be \$10,000 per day. During the later part of 2003 the decision was made to adopt a federated (decentralize architecture) approach in place of a centralized gateway architecture; development of the gateway ceased as of October 10, 2003. Consequently additional applications, including one with the Disaster Mitigation Initiative, were never put into production. Hence the 2003 target of "6" was not met. In FY 2004 OGP will revise this measure to reflect a more policy-oriented focus.

PERFORMANCE GOAL				
Facilitate the consistent use of XML for federal eGov initiatives.				
MEASURE				
Number of eGov initiatives adopting XML recommendations.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	3	5	9

**DESCRIPTION OF THE MEASURE:** This measure tracks the governmentwide development of XML schemas for data storage and transfer. Schemas are templates to build and use XML documents.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Nine XML initiatives have been completed: 1) ITIPS/OMB Exhibit 300; 2) BRM Version 1.0; 3) Enterprise Human Resources Integration (EHRD); 4) eGrants; 5) NARA; 6) eTravel; 7) Integrated Acquisition Environment (IAE) (Federal Procurement Data System only); 8) Regulatory XML/eRulemaking (ROCIS completed; and 9) BRM Version 2.0. OGP's success on this initiative is due to working through the CIO Council's Component Subcommittee to gain access to Program Managers for the eGov initiatives. We developed a consolidated strategy for the development and management of XML and other technical and business components.



PERFORMANCE GOAL
Increase the number of agency programs using OGP-facilitated performance measures.
MEASURE
Number of agency programs that use OGP-facilitated performance measures.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
58	218	380	330	398

**DESCRIPTION OF THE MEASURE:** This measure calculates the number of federal agency programs that use OGP-facilitated performance measures, as a proxy for the impact our measures have on those agency programs. The most current U.S. Government Manual is the official source for the federal universe of agencies and their programs.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Under OGP’s leadership, 398 Federal agency programs are voluntarily using performance measures developed in collaboration with OGP, or are participating in performance measurement initiatives that OGP leads. OGP recognizes the value of identifying and instituting the right performance measures which provide information that allow managers to drive changes and improve overall program performance. Through interagency communication and cooperation, OGP has found several opportunities to collaborate, promote and develop the use of government-wide performance measures. Examples of successful OGP performance measures in use by federal agencies include: 1) Real Property Cost Per Person Model and Productivity Payback Model, that mainstream the paradigm shift from focusing on facilities to workplaces, and by using benchmarking and international research projects to learn more information about world-class practices; 2) the annual Federal Fleet Report, which provides summary information on federal motor vehicle fleet performance indicators, as well as cost-per-mile, number of vehicles and overall costs.”

**GSA-WIDE GOAL 3: OPERATE EFFICIENTLY AND EFFECTIVELY**

PERFORMANCE GOAL	RESULT
IMPROVE CLARITY OF OGP POLICIES, REGULATIONS AND GUIDELINES TO INCREASE EFFICIENCY OF GOVERNMENT MANAGEMENT AND OPERATIONS.	GOAL MET
INCREASE SHARING OF MANAGEMENT SYSTEMS TO ALLOW FOR BETTER DECISION-MAKING, ACCOUNTABILITY AND COST AVOIDANCE.	GOAL MET
IMPLEMENT PMA FOR COMPETITIVE SOURCING.	GOAL MET

# OGP

PERFORMANCE GOAL				
Improve the clarity of OGP policies, regulations and guidelines to increase efficiency of government management and operations.				
MEASURE				
Number of significant regulations updated.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	3	20	38	101

**DESCRIPTION OF THE MEASURE:** This measure calculates the number of significant OGP policies, regulations and guidelines that OGP updates for customer agencies or the public. Since federal agencies have multiple missions, there must be sound policies in place that afford agencies the flexibility to accomplish their goals in the most effective manner. OGP provides this policy framework through issuance of policies and guidelines for the management of property, technology, and administrative services. These policies provide the guiding principles for consistent processes and efficient management of government.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Based on the 2002 actual of 20, the 2003 target of 38 was a reasonable estimate at the time that goal was forecast. However, during the year there were issues in the various program areas (such as mail security) that required clarification and additional guidance was issued, which resulted in a higher number of regulations being published. We also increased our participation in various working groups and seminars that led to increased collaboration on guidance that address government-wide issues. Additionally, the measure originally included only the plain language updates. However to ensure the report reflects all the accomplishments in the regulatory arena, the measure later included the non-regulatory materials that were published. This is a proxy measure that looks at the output produced by the various program areas. OGP will discontinue this measure in FY 2004 and focus on outcome measures that are more accurate indicators of OGP's accomplishments.



PERFORMANCE GOAL				
Increase sharing of management systems to allow for better decision-making, accountability and cost avoidance.				
MEASURE				
Measure Number of agency programs that use OGP shared management systems to support decision making.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	378	191	386

**DESCRIPTION OF THE MEASURE:** This measure calculates the number of agency programs that use OGP's shared management systems. The measure is used as a proxy for the impact our systems have on those agency programs. The most current U.S. Government Manual is the official source for the federal universe of agency programs.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The FY 2003 target of 191 was carried forward from the FY 2003 Performance Plan. Even though internally we had set our targets to be higher than the FY 2002 Actual, we had not updated the target in the FY 2004 Plan due to the misunderstanding that published targets cannot be changed. This measure counts the number of agency programs that use OGP shared systems and the total is a roll-up on the usage of different systems within OGP. The number of agency programs that use OGP shared management systems has increased slightly from FY 2002. But since the total universe for this roll-up measure is difficult to determine, and the measure does not provide an accurate picture of the users satisfaction rate with the OGP shared systems, this is not a meaningful measure that reflects OGP's work. For FY 2004 we will drop this measure and focus on program-level measures that are better indicators of OGP's program accomplishments.

PERFORMANCE GOAL				
Implement PMA for competitive sourcing (identifying and competitively sourcing or directly converting commercial functions).				
MEASURE				
Percentage of OGP Federal Activities Inventory Reform (FAIR) Act Inventory competed or directly converted.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	0%	10%	31%

**DESCRIPTION OF THE MEASURE:** The 2000 FAIR Act Inventory identified commercially competitive functions that affected 64 FTEs within OGP. This measure calculates the percentage of those FTEs that were involved in competitive sourcing competitions or direct conversions during FY 2003.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** OGP studied 39 out of 64 FTEs on its 2000 FAIR Act Inventory that resulted in outcomes for FY 2003. The functions of the FPDS and the Federal Acquisition Institute were outsourced in FY 2003, by competition and direct conversion, respectively. A total of 20 FTEs were affected as a result.



**GSA-WIDE GOAL 5: MAINTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE**

PERFORMANCE GOAL	RESULT
ACHIEVE 55TH PERCENTILE RANKING IN THE GALLUP Q12 SURVEY.	GOAL MET
INCREASE PARTICIPATION AT OGP SUPPORTED EDUCATIONAL VENUES AND ACTIVITIES TO INCREASE WORKFORCE EFFICIENCY.	GOAL MET
DEVELOP COMPETENCY BASED ASSESSMENT PROCESS FOR GSA ACQUISITION WORKFORCE.	GOAL NOT MET

PERFORMANCE GOAL
Achieve 55th percentile ranking in the Gallup Q12 Survey.
MEASURE
Percentage ranking in the Gallup Q12 Survey.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	34th Percentile	63rd Percentile	55th Percentile	74th Percentile

**DESCRIPTION OF THE MEASURE:** The Gallup Q12 Survey measures associate engagement within an organization. To determine how well an organization compares with data points in the Gallup database, the percentile ranking is used as a standard performance indicator.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** During FY 2002 and FY 2003, several OGP organizations experienced significant staffing changes due to the FAIR Act Inventory competitions and other major reorganizations. These efforts had an unfavorable impact on associate morale, and for that reason, OGP set its FY 2003 target for the 55th percentile. However, the FY 2003 Q12 results were better than expected and reassured us that despite the ongoing internal changes, our associates were resilient, committed to GSA and engaged. We credit these results to the hard working efforts of our managers and their effective handling of hard choices about outsourcing, direct conversions and displacing associates.



PERFORMANCE GOAL				
Increase participation at OGP supported educational venues and activities to increase workforce efficiency.				
MEASURE				
Number of participants at OGP supported educational venues and activities.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	47,500	38,000	48,995

**DESCRIPTION OF THE MEASURE:** OGP facilitates and supports a wide array of educational and training opportunities government-wide. This is a shared measure to which all OGP programs contribute results.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** OGP has made it a priority to help Federal agencies build a highly skilled and knowledgeable workforce, and encourages innovative solutions toward more productive work environments. We are helping to build a government-wide community of Government administrative services professionals, who are leading the Government’s efforts to improve these services. OGP will continue to develop and facilitate training opportunities for Federal associates that provide for all facets of professional and personal growth. All program areas in OGP provide assistance to customer agencies in establishing career enhancement opportunities and have outreach plans to increase participation. We forge collaborative efforts with other governments and educational institutions, and develop internet-based training to benefit the Federal community. OGP also works with other Federal agencies and industry to establish government-wide professional standards in the acquisition and information technology fields. One example of our success in increasing participation is the Federal Acquisition Online University, which had an FY 2003 target of attaining 30,000 students accessing online courses, and an actual achievement of 34,644 students. Other OGP educational venues include the annual Travel and Transportation Conferences and Workshops, IT Manager Training (IRMC0, STAR and CIO University), and the Federal Advisory Training (Federal Advisory Committee Act).

PERFORMANCE GOAL				
Develop a competency-based assessment process for GSA acquisition workforce.				
MEASURE				
Number of GSA Job Series 1102 (Contract Specialist) workforce who complete the competency assessment process.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	N/A	250	159

**DESCRIPTION OF THE MEASURE:** The measure was designed to measure the quality of participation in the Applied Learning Center (ALC) by GSA associates in Job Series 1102 (Contract Specialist). The ALC is a pilot project that provides for competency/skill assessment of the acquisition workforce and will aid in GSA’s goal to develop a fully qualified and competent acquisition workforce.



**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The original target was based on a projected sample size of 300 participants selected at random under the ALC Pilot contract. The sample size was reduced to 254 participants and 159 participants responded, a response rate of 62.5 percent. The corresponding 159 pilot participants represented approximately 13 percent of GSA’s Series 1102 workforce. We missed this target due to several reasons. OGP does not believe there was widespread management support for the pilot, which caused some associates to opt out. Comments from associates indicated that they were not given enough time to devote to the pilot. Some associates commented that work or other priorities interfered with their ability to participate in the pilot. However, this was an early measure for the pilot and is not currently being used because of changes in program goals. The current measure is “Number of GSA 1102s who participate in the competency assessment process pilot.” The reason for the change is that the word “complete” conveyed a different definition for each participant. GSA participants could “complete” the pilot project at varying points depending on several factors. Completion of the pilot project was not intended to mean 100 percent completion of every assessment item in the pilot, which the first measure seems to imply. Once the ALC is fully developed with additional competencies, the results should identify skill gaps and provide indicators of the competencies of our acquisition workforce. The limited development of the pilot cannot do this yet. “Participation,” as used in the revised measure, is more meaningful than “completion.” New measures are in development for a fully functional ALC.

PERFORMANCE GOAL	
Develop a competency-based assessment process for GSA acquisition workforce.	
MEASURE	
Percentage of GSA 1102’s who fully qualify under Clinger Cohen.	

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	24%	35%	38.02%

**DESCRIPTION OF THE MEASURE:** The GS-1102 qualification standard requires grade 12s and below to have a degree or 24 hours credit in specific disciplines in the acquisition area. At grade 13 and higher, there are additional 11 training classes as required by GSA. As a matter of policy, GSA does not consider any GS-1102 to fully meet the Clinger Cohen qualification standard unless they have a degree, the 24 hours credit and all GSA specified training. This measure is designed to determine GSA’s level of compliance with the qualification standard under Clinger Cohen.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** OGP has exceeded the compliance level of 27.5 percent and the 35 percent target, representing solid progress for GSA’s acquisition workforce in becoming Clinger Cohen compliant. Some of the reasons for its progress this year include the retirement of some of the legacy acquisition workforce, subsequent hiring of college graduates and continued efforts by Services and Regions to educate and train members of the acquisition workforce.



**GSA-WIDE GOAL 6: CARRY OUT SOCIAL, ENVIRONMENTAL AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY**

PERFORMANCE GOAL	RESULT
PROVIDE ACCESSIBLE VENDOR PRODUCT INFORMATION TO FEDERAL AGENCIES IN SUPPORT OF SECTION 508 PROCUREMENT REQUIREMENTS TO ACHIEVE AN IT ENVIRONMENT ACCESSIBLE TO ALL CITIZENS.	GOAL MET
WORK WITH OPM TO INCREASE THE PERCENTAGE OF FEDERAL EMPLOYEES WHO TELEWORK.	GOAL MET

PERFORMANCE GOAL
Provide accessible vendor product information to Federal agencies to support Section 508 procurement requirements to achieve an IT environment accessible to all citizens.
MEASURE
Number of vendors with templates on the buy accessible database.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	22	320	400	520

**DESCRIPTION OF THE MEASURE:** GSA IT Accommodations Division established a buy accessible database for vendor product accessibility templates. The availability of these templates is important for the implementation of Section 508 as they are used by agencies in their research for products that are accessible by the disabled. The database enables Federal agencies to fulfill accessibility needs when acquiring new IT products.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** As of the end of FY 2003, OGP exceeded its target by more than 30 percent. Because of the early success in meeting this goal, OGP increased its internal target for the year from 400 to 500. This increased target has been met, as a result of numerous presentations to FSS schedule holders at FSS-sponsored events, and increased participation in conferences, exhibits and outreach activities (Web Casts, panel participation, etc.)



PERFORMANCE GOAL				
Work with the Office of Personnel management (OPM) to increase the percentage of federal employees who telework.				
MEASURE				
Percentage of federal employees who telework.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	2.6%	4.2%	5.0%	5.0%

**DESCRIPTION OF THE MEASURE:** Telework is considered as one of the key components that leads to high performance, high quality workplaces. As a federal center of expertise for telework and alternative offices, OGP works with OPM to promote, develop and refine the telework program for the Federal workforce. Such collaborative results include the establishment and ongoing improvement of the Federal government’s key telework Web site, the establishment and co-leadership of the network of agency telework coordinators, and co-development of a new Web-based telework training module.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** OPM’s formal government-wide survey results and customer feedback have shown that the federal telework program plays a major role in workforce recruitment and retention. Joint efforts between GSA and OPM include the establishment and ongoing improvement of the federal government’s key telework Web site, the establishment and co-leadership of the network of agency telework coordinators and co-development of a new Web-based telework training module and have resulted in increased telework implementation. Those efforts also include quarterly meetings of the two agencies’ senior management, development of a telework Web site and development of two on-line training modules.

## OFFICE OF CITIZEN SERVICES AND COMMUNICATIONS

**OCSC** was created to serve as the nation's new front door to the information and services of the federal government. Combining all of GSA's citizen-centered activities into a single office, the primary goal of OCSC is to find new ways for citizens, businesses, other governments, and the media to easily obtain information and services from the government on the Web, via e-mail, in print, by fax and over the telephone. OCSC interacts with the media, federal agencies, the general public and with GSA internal audiences to provide information on the activities of GSA and its associates.

### OCSC PERFORMANCE HIGHLIGHTS

**USA SERVICES:** USA Services is the result of the merger of three major programs, each of which has been providing comprehensive access to federal information and services within its particular medium: FirstGov.gov (for Web services); the National Contact Center at 1-800-FED-INFO (for telephone and e-mail services); and the Federal Citizen Information Center in Pueblo, Colorado (for publications).

USA Services is the official multi-channel front door to federal information and services for citizens. Its charter is to improve the delivery of information and services while effecting significant government efficiencies and budget savings. These benefits will be achieved by creating a single point of contact for citizens where information for all federal agencies can be refined, consolidated and disseminated.

By partnering with other government agencies, USA Services is improving citizen customer service. It is also developing, through collaborative efforts, government-wide standards in customer service, performance metrics and best practices for customer service.



Although the savings encouraged by USA Services cannot yet be quantified, given its recent origin, there is evidence that elements of this initiative do produce savings. There are 580 instances of federal government organizations using FirstGov.gov search services as their primary engine mechanism. Conservatively estimated, this saves \$36,000 per implementation since it allows the client agency to avoid the expense of purchasing search engine software for each Web site individually. This equates to a savings of \$21 million in FY 2003.

**ENTERPRISE-WIDE MARKETING:** A complete redesign of the GSA homepage, *www.GSA.gov*, began in the second quarter of FY 2003. This effort entailed the complete restructuring of the site, reorganizing roughly 5,000-plus content items. The redesigned site simplifies navigation so that it is more intuitive and permits the cross-referencing of offerings and information that spans more than one Service or Office. The Web site now better serves GSA business lines and is better targeted to the needs of GSA customers.



## OCSC PERFORMANCE BY GSA-WIDE GOALS

### GSA-WIDE GOAL 1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

PERFORMANCE GOAL	RESULT
DEVELOP A SINGLE GOVERNMENT FACE TO CITIZENS WHO NEED TIMELY AND CONSISTENT RESPONSES AND INFORMATION ABOUT GOVERNMENT PROGRAMS AND ENABLE THE FEDERAL GOVERNMENT TO BECOME MORE CITIZEN-CENTRIC.	GOAL MET
INCREASE ACCESS TO GOVERNMENT FOR ALL AUDIENCES.	GOAL MET
PROVIDE EXPERTISE TO IMPROVE WEB SITE DEVELOPMENT AND ACHIEVE COMMON SHARED SOLUTIONS FOR eGov INITIATIVES.	GOAL MET
PARTICIPATE FORMALLY IN THE GOVERNANCE STRUCTURE OF ALL eGov AND HOMELAND SECURITY INITIATIVES THAT HAVE STATE/LOCAL IMPLICATIONS.	GOAL MET
IMPROVE POSITION OF GSA AS VALUABLE INFORMATION RESOURCE FOR ALL AUDIENCES.	GOAL MET

PERFORMANCE GOAL
Develop a single government face to citizens who need timely and consistent responses and information about government programs and enable the federal government to become more citizen-centric.
MEASURE
Enhanced communication channels available government-wide.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	N/A	1 basic e-mail sys.	4

**DESCRIPTION OF THE MEASURE:** This measure tracks the widening availability of alternative methods for obtaining government information. It includes the establishment of 1) e-mail and 2) fax response and management systems. USA Services is also creating a 3) a postal mail channel and 4) developing government-wide Frequently Asked Questions (FAQ) system.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** During FY 2003, OCSC was able to implement four enhanced communication channels, which included Web sites, toll-free contact center, publication distribution center and basic email system. During FY 2003, the vision of an integrated “front-door” to the federal government became a reality. OCSC’s Federal Citizen Information Center (FCIC) added e-mail, fax and postal mail channels to its existing Web and telephone services. Citizens can now access information and services from government through whatever means they desire. These services are available via Internet Web sites (FirstGov.gov, Pueblo.gsa.gov and ConsumerAction.gov), the telephone (1-800-FED INFO), e-mail (from a Web form located on FirstGov.gov), fax (1-877-881-4297) and postal mail (FedInfo, Pueblo, CO 81009).



Centralization of those communication channels ensures excellent citizen services by providing timely e-mail and fax responses. The Administration’s USA Services eGov initiative utilizes the infrastructure provided by FCIC. With these advances, FCIC has enabled USA Services to meet its initial goals. Additionally, under the USA Services banner, FCIC is now providing contact center services to the Department of State, the Fish and Wildlife Service and the Office of Surface Mining of the Department of Interior.

In support of the development of a government-wide FAQ system, the FAQ section of the FirstGov.gov Web site has been expanded, a prototype government-wide FAQ search service using the FirstGov search engine is being tested, and an inter-agency FAQ working group is meeting regularly to address the technology and organizational issues that must be resolved before a true integrated government-wide FAQ system can be established.

PERFORMANCE GOAL				
Develop a single government face to citizens who need timely and consistent responses and information about government programs, and enable the federal government to become more citizen-centric.				
MEASURE				
Agency participation in signed Partnership Agreements (PA) and Reimbursable Agreements (RA).				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	N/A	10 PA 3 RA	10 PA 3 RA (Estimate)

**DESCRIPTION OF THE MEASURE:** This measure involves working with upper level managers throughout the federal government to forge partnerships to develop a government-wide citizen-centric approach. It also involves making available a wide array of shared services for use by agencies on a reimbursable basis. Shared services include hosting, portal support, search support and more.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** There are two reimbursable agreements with the FCIC to provide partial funding on a reimbursable basis for FirstGov.gov and the DOL for GovBenefits.gov. Several additional reimbursable agreements are being developed and look favorable to becoming signed agreements with other agencies for reimbursable services related to Web support.



PERFORMANCE GOAL				
Increase access to government for all audiences through the use of Web sites, a call center, e-mail, publications and all forms of media.				
MEASURE				
Number of multi-channel contacts with the public (citizen, business, government) per year.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
23.2M	40.8M	59.1M	144.0M	209.7M

**DESCRIPTION OF THE MEASURE:** The number of multi-channel contacts with the public consist of the total toll free calls handled by the Federal Citizen Information Center's National Contact Center (NCC), FirstGov.gov and other Office of Citizen Services' Web sites page views, printed publications ordered from the NCC and all public inquiries via e-mail and fax.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** FY 2003 was the first full year in operation for the reorganized FCIC. Strong growth in citizen usage of the FirstGov.gov Web site during FY 2003 enabled FCIC to greatly surpass the original goal of 144 million public contacts.

PERFORMANCE GOAL				
Provide expertise to improve Web site development and achieve common shared solutions for eGov initiatives.				
MEASURE				
Tax dollars saved by federal agencies as a result of shared Web infrastructure and services.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	\$9M	\$18M	\$21M

**DESCRIPTION OF THE MEASURE:** The current FirstGov.gov Web infrastructure can handle multiple users of its search engine and hosting solution. This infrastructure allows other agencies to realize on average an estimated \$36,000 implementation cost savings as well as making available certain software licensing agreements that are owned by FirstGov.gov.

**DISCUSSIONS OF FY 2003 TARGET VS. RESULTS:** There are 580 instances of federal government organizations using FirstGov.gov search services as their primary search engine mechanism. OGP conservatively estimates that this saves \$36,000 per implementation, since it avoids the expense of purchasing search engine software for each Web site individually. This equates to a savings of \$21 million in FY 2003.

PERFORMANCE GOAL				
Participate formally in the governance structure of all eGov and Homeland Security initiatives that have state/local implications.				
MEASURE				
Number of eGov initiatives with state/local implications where the OIS is part of the governance structure.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	N/A	6 of 12	6 of 12

**DESCRIPTION OF THE MEASURE:** Develop products and help federal managers identify, measure and achieve a high payoff in eGov by promoting practices used in state governments and other governments. Create a community of representatives of all governments in support of the eGov initiatives. Support the President’s eGov priorities including Homeland Security.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** The OIS identified 12 of the 24 eGov initiatives with significant State/local implications. OIS is actively participating in six of the 12 eGov initiatives: GovBenefits, Recreation One-stop, USA Services, Geospatial One-stop, eGrants and eVital. OIS is also participating in the development and use of the federal enterprise architecture, which is integral to the governance structure of the initiatives.

OIS Leadership:

- Established Government without Boundaries Pilot, which developed the interoperability approach for Recreation One-stop across all governments. Result: Citizens can find recreational opportunities from all level of governments from one place.
- Established partnership between Los Angeles County and GovBenefits to offer local content and resources through the GovBenefits Portal. Result: citizens can learn about benefits available from all levels of government.
- Worked with USA Services to create a multi-channel gateway for citizens, with access to state and local as well as federal information. Helped direct a Pew Foundation survey of citizens' preferences in contacting federal, state and local governments. Result: Citizens have a single source of government information regardless of access mode (Internet, e-mail, phone or mail).
- Helped Geo-spatial One-stop establish intergovernmental Board of Directors. Result: Important geospatial data maintained by federal, state and local governments, is shared and used by all for a wide variety of government applications including Homeland Security.
- Provided assistance in linking pilot projects for verification of birth and death records to state and local stakeholders. Result: Citizens benefit from the intergovernmental management of birth and death records under the eVital initiative (that promotes the public health, safety and security of all citizens).
- Recruited local participation in Grant Application Pilot. Result: State and local governments can find \$300 billion in grant opportunities in one place.



PERFORMANCE GOAL				
Participate formally in the governance structure of all eGov and Homeland Security initiatives that have state/local implications.				
MEASURE				
Desired level of state, local and international participation in federal IT projects.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	N/A	75%	92%

**DESCRIPTION OF THE MEASURE:** Develop products and help federal managers identify, measure and achieve a high payoff in eGov by promoting practices used in state governments and other national governments. Create a community of representatives of all governments in support of the eGov initiatives. Support the President’s eGov priorities, including Homeland Security.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Ninety-two percent (or 11 of 12) of the initiatives OCSC identified as having intergovernmental implications have state and local government involvement. OCSC’s FY 2003 target was 75 percent of the initiatives. The 11 initiatives are GovBenefits, Recreation One-stop, Geospatial One-stop, eVital, eGrants, Business Gateway, IRS Free-Filing, Expanding Electronic Tax Products for Business, SAFECOM, Disaster Management and USA Services. In addition to the initiatives that have formal OIS involvement, there are five other initiatives that involve state and local governments. OCSC provided support and outreach to the following projects using our extensive network of State and local government IT managers:

- IRS Free Filing includes 37 States and the District of Columbia in its eFile system;
- Expanded Electronic Tax Products for Business developed and tested a proof-of-concept for an electronic version of Form 8850 with a select group of employers, partners and states; and is planning a Virtual Fed/State Payroll Tax workshop to assist employers with federal and state tax requirements;
- SAFECOM is developing grant guidance for wireless communications grants to state, tribal and local organizations and standards that will enable interoperability at all levels of government;
- Business Gateway integrated state and federal Employer Identification Number eApplication in a pilot with Georgia and Illinois;
- USA Services is reaching out to state, local and international governments to participate in FirstGov.gov particularly OCSC’s management of the government to government (G2G) gateway and pilot projects designed to link all state and local Web sites with FirstGov.gov; and
- Disaster management registered over 7,000 DisasterHelp.gov users in six months and more than 130 Defense Medical Information System (DMIS) operating groups (with several states considering statewide implementation).



PERFORMANCE GOAL				
Improve the position of GSA as a valuable information resource for all audiences.				
MEASURE				
Percent of recommended improvements and management reforms implemented.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	57%	93%	93%

**DESCRIPTION OF THE MEASURE:** In accordance with the recommendations of the GSA Enterprise-wide Marketing Study, OCSC conducted research and analyses on six GSA customer needs and coordinated a GSA marketing strategy; developed agency-wide marketing plans and provided marketing services for FirstGov.gov, USA Services, gsa.gov and other eGov initiatives. They produced improved management tools and practices so as to better position GSA to increase its customer base and improve the services provided.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** In the past year OCSC managed and directed the implementation by the GSA Marketing Council of five of the remaining six recommendations made in the Enterprise-wide Marketing Study issued in January 2002. As a result, GSA.gov is now an effective marketing tool, a uniform branding policy for GSA products and services has been established, and GSA is well on the path toward implementation of enterprise-wide customer relationship management (CRM). In the coming year, OCSC will work to institutionalize the work of the GSA Marketing Council, act as the agency sponsor for implementation of the CRM system and enhance the use and customer satisfaction with GSA.gov.

PERFORMANCE GOAL				
Improve the position of GSA as valuable information resource for all audiences.				
MEASURE				
Number of GSA.gov Web site page views.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	34M	37M	45M

**DESCRIPTION OF THE MEASURE:** The measure captures the number of occurrences that an Internet user visits a page within the GSA.gov Web site. This measure is an indicator to the site's usefulness. As the site becomes more useful and valuable, one would expect more activity, thus an increase in the number of page views.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Creation of a new interim homepage and improved content identification and navigation at the top levels of the old GSA.gov site, launched in the first quarter of FY 2003, improved basic functionality. The changes elicited positive comments from site visitors, and the number of page views increased at a higher than expected rate following the launch of the remediated site.



The complete redesign of GSA.gov began in the second quarter of FY 2003 and was launched in September 2003. This effort entailed the complete restructuring of the entire site, touching and reorganizing roughly 5,000-plus content items. The redesigned site simplifies navigation so that it is more intuitive, permits cross-referencing of offerings and information that span more than one Service or Office, improves the regional presence on the portal, and presents a crisper, more up-to-date visual design. Market research and usability testing guided the redesign; the site now better serves GSA business lines and is targeted to the needs of GSA customers. More extensive market data and Web statistics will provide expanded result measurements, guide further refinements to the site, and support ongoing work on other aspects of GSA's Web presence.

**GSA-WIDE GOAL 6: CARRY OUT SOCIAL, ENVIRONMENTAL AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY**

PERFORMANCE GOAL	RESULT
DISSEMINATE STRATEGIC INFORMATION MESSAGES TO ALL AUDIENCES.	GOAL MET

PERFORMANCE GOAL
Disseminate strategic information messages to all audiences.
MEASURE
Move strategic messages to industry standards.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	N/A	33.3% Positive	28.7%
			33.3% Neutral	65.8%
			33.3% Negative	5.5%

**DESCRIPTION OF THE MEASURE:** The OCSC uses the Gross Impact Media Analyses Tool to measure its strategic messages with industry standards. This tool allows agencies to measure success in communicating their strategic messages by using an average of researched and reviewed stories for positive, neutral, or negative reporting. A determination is made of the value and success of each article and an average for the quarter is calculated to derive the reported target numbers.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** OCSC is pleased that it is continuing to exceed its target goals for neutral and negative media coverage for each quarter in FY 2003. The results provide evidence of the effectiveness of its media relations and issue management activities. This quarter OCSC has used press conferences, interviews, news releases and other tools to meet its obligations to effectively communicate with external audiences and GSA associates. From events such as the USA Services rollout to press conferences involving the proposed debarment of MCI, OCSC continues to consistently manage issues to achieve the best results. Surpassing its goal for neutral stories by nearly 100 percent reflects OCSC's successful efforts to respond to reporters in a timely fashion with the facts, despite potential negative coverage. There's no way to measure how many neutral stories might have been negative had OCSC not been proactive in managing its messages by getting GSA's side of the story out early. Keeping negative press coverage to a mere 5 percent (400 percent below the target goals) speaks volumes about OCSC's success, considering GSA's involvement in so many volatile and sensitive issues. The industry recognizes there will be some negative stories no matter what you do. GSA's negative messages are considerably fewer than the industry standard.

## OFFICE OF THE CHIEF PEOPLE OFFICER

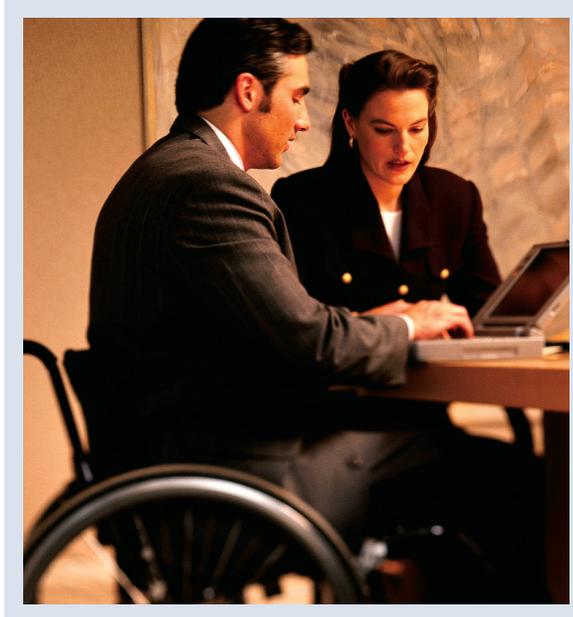
The enactment of the Chief Human Capital Officers Act has enhanced the mission of the OCPO. This act instructed each agency to designate a Chief Human Capital Officer (CHCO) who would “advise and assist the head of the agency in carrying out the agency’s responsibilities for selecting, developing, training and managing a high-quality, productive workforce.” As GSA’s CHCO, OCPO is emphasizing the following functions.

- Setting the workforce development strategy;
- Assessing workforce characteristics and future needs based on the Agency’s mission and strategic plan;
- Aligning the Agency’s HR policies and programs with organization mission, strategic goals and performance outcomes.

**OCPO PERFORMANCE HIGHLIGHTS:** GSA was ranked fourth out of 28 large agencies in the “Best Places to Work in the Federal Government” survey conducted by the Partnership for Public Services. The partnership compiled the rankings based on the responses of more than 100,000 federal employees to questions about their overall job satisfaction. Researchers found that many top agencies have clear and concise missions, are relatively small and have much of their workforce in regional centers away from Washington. The rankings also measured such facets as effective leadership, performance-based rewards, family-friendly culture and benefits. The report can be viewed online at [www.bestplacestowork.org](http://www.bestplacestowork.org).

**COMPETITIVE SOURCING:** In addition to the work done directly on the Human Capital initiative of the PMA, OCPO also provided major support to the Competitive Sourcing initiative. OCPO obtained Voluntary Separation Incentive Payment (VSIP) authority and Voluntary Early Retirement Authority (VERA) for GSA in FY 2003. The major initiatives throughout GSA are as follows:

- The outsourcing of work done by trades and crafts positions in the PBS required significant involvement of HR staff during FY 2003. PBS identified approximately 460 positions throughout the country for



conversion in FY 2003. Utilizing VSIP (“buyout”) and VERA (“early out”) authorizations, OCPO and PBS were able to minimize adverse impacts on many affected associates. As a result, less than 50 associates were subjected to involuntary separation.

- FSS Customer Services Support Center in the Heartland Region, and the OCFO Indian Trust Accounting Division in Central Office conducted full cost studies of the functions in those organizations. OCPO provided support to develop the organization structure, classify positions for the most efficient organization, brief associates on their rights and benefits and brief union representatives on the progress of the initiatives.
- FTS conducted a streamlining study of their national financial operations function. OCPO provided support in a variety of areas including briefing associates, advising management on organization options and preparing FTE for the potential of involuntary separations.
- OCPO supported the Office of Government-wide Policy’s direct conversions of the Federal Acquisition Institute and the FPDS to contract performance.



## OCPO PERFORMANCE BY GSA-WIDE GOALS

### **GSA-WIDE GOAL 5: MAINTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE**

PERFORMANCE GOAL	RESULT
IMPROVE THE VALUE OF GSA'S ONLINE UNIVERSITY (OLU).	GOAL NOT MET
DEVELOP AND IMPLEMENT STRATEGIES TO ADDRESS SKILL GAPS IN MISSION CRITICAL OCCUPATIONS (MCO).	GOAL MET
RANK IN THE 75TH PERCENTILE IN THE GALLUP Q12 SURVEY.	GOAL MET
DEVELOP A STRONGER LINKAGE BETWEEN ORGANIZATIONAL AND INDIVIDUAL PERFORMANCE.	GOAL MET

PERFORMANCE GOAL
Improve the value of GSA's OLU.
MEASURE
Percent increase in elective registrations from FY 2000 baseline.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
2276 Baseline	182%	18%	15%	-36%

**DESCRIPTION OF THE MEASURE:** OLU is a virtual campus that offers a variety of mandatory and elective training opportunities to GSA associates. OLU is the most cost-effective tool in GSA to deploy learning to all associates. OCPO has worked with its business partners to identify and develop curriculum to add to the OLU course selections. Courses are geared towards helping associates better contribute to the achievement of GSA's mission and goals.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** FY 2003 has been a challenging year for OLU. In January 2003, GSA made the decision to migrate OLU to OPM's intra-governmental eLearning platform, "GoLearn", in support of the President's eGov initiative. GSA anticipated being able to offer new eLearning products and services to associates. With features like Search & Select, eBooks, a course-development tool and access to a wide array of high quality eLearning content, GSA was positioning itself to provide enhanced 24/7 learning opportunities to all associates. On April 15, 2003, the new GSA OLU went live, featuring over 1,200 off-the-shelf courses as well as several GSA-specific courses that had previously been in development.

GSA has experienced major problems affecting reporting, operations and service delivery. The vendor has been unable to produce standard usage reports, the CIO decided not to use the site for mandatory IT security training due to numerous missed deadlines for content development, and many users have complained about difficult site navigation. In the first half of 2003, GSA stopped marketing OLU to GSA associates in order to reduce transition problems; in fact, associates were required to stop training by April 15 and then start again after that date.

GSA has reported these problems to OPM and OMB, and will continue to work with OPM to correct them. GSA is very pleased with the support OPM has provided to correct the problems. However, the inevitable result has been a reduction in course registrations. There were 1,361 registrations prior to the transition, and registration reports have been unavailable since that time. GSA estimates no more than 2,500 total FY 2003 registrations by the end of the fiscal year.

PERFORMANCE GOAL				
Develop and implement strategies to address skill gaps in MCOs.				
MEASURE				
Number of mission critical occupations studied.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	N/A	4	4

**DESCRIPTION OF THE MEASURE:** A skill gap is the difference between the actual skill and the desired skill. GSA will begin measuring the skill gaps in its MCOs when it has completed the process of identifying desired and existing skills for each MCO.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** GSA has identified four MCOs – acquisition, financial management, real estate and IT. Progress was made in all MCO's.

■ **ACQUISITION:** The Office of Acquisition Policy implemented an ALC proof of concept to assess the strengths and weaknesses of GSA's acquisition workforce in basic skills, pre-solicitation skills, and pre-and-post award skills, using both simulated and real life scenarios. A pilot program was administered to a cross-section of 159 associates between September 2002 and May 2003. Analysis of the pilot results is still underway; however, the following skill gaps were identified: understanding sourcing, contract administration planning and evaluation, and decision-making related to contracting costs and pricing. The pilot contractor has concluded that the ALC provides a means to identify skill gaps, a jump-start towards earning college credits, and a platform to drive change in the workforce through re-skilling; reduces cycle time for assimilating new employees and the learning of new skills; and creates a vital link between demonstrated knowledge and performance. Within the next year the ALC team will develop the remaining knowledge areas, develop GSA mandatory classes, and increase the number of college credits available. GSA is now contracting with an independent evaluator to assess the validity and reliability of results, review content of questions, and present a final report to the Board of Directors. If approved, the ALC will go live in September 2004 to all of GSA's acquisition workforce.

■ **FINANCIAL MANAGEMENT:** An electronic skill gap analysis is currently underway for the financial occupations of Accounting/Accounting Technician (Job Series 0510/0525), Financial Administration and Program Management (Job Series 0501), and Budget Analyst (Job Series 0560). This analysis is based on competencies from the Joint Financial Management Improvement Program, CFO Council and the OPM MOSAIC Study in their "HR Manager" program. Participants will assess their own ability to perform in these competencies. The results will be used by the OCFO to identify developmental opportunities for associates and determine the skill gaps within GSA's financial workforce.

# OCPO

■ **REAL ESTATE:** PBS is conducting a major reorganization that includes the assessment of associates' competencies to perform in three significant areas: asset management, building management and customer service. PBS has identified a cross-organizational need and has already begun sending associates to project management training; this year they will send 1,000 associates and plan to continue sending more next year.

■ **IT:** GSA partnered with OPM to conduct focus groups to develop competency models in all ten IT specialty areas. In August 2002, the OCIO's office administered an electronic survey to all GS-14s, 15s and Senior Executives in the IT community, based upon competencies developed by the OCIO Council. The results indicated that development is needed in the areas of leadership and management, program and project management and IT security. In May 2003, OCPO partnered with the OCIO to conduct an electronic survey given to all 2210-series associates and selected other occupations working on IT efforts. The final report is completed and under review. The consensus among the GSA IT community is that program and project management is of critical importance as GSA IT associates evolve from specialists to generalists. GSA anticipates that the final reports of the survey will substantiate this, among other areas in need of development.

PERFORMANCE GOAL	
Rank in Gallup's 75th percentile in the annual GSA Associate Engagement Survey.	
MEASURE	
Percentile rank in the Gallup Q12 survey which measures the culture of the agency.	

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	67th percentile	67th percentile	75th percentile

**DESCRIPTION OF THE MEASURE:** The Gallup Q12 survey grand mean score discriminates top-performing workplaces from average and low-performing ones. The 75th percentile distinguishes an agency as a world class organization. The grand mean score measures engagement at the work team level, and scores for individual items indicate an associate's level of engagement. According to Gallup, organizations and work teams that score at or above the 75th percentile are considered world-class workplaces. Each of the Q12 items is actionable, and tangible steps can be taken to increase scores. This is one of the most important qualities of the Q12 program.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** GSA implemented the Gallup Q12 Survey agency-wide in FY 2002 and will continue administering the survey on an annual basis to all GSA associates. GSA has successfully achieved its FY 2003 target – reaching the 75th percentile – one year ahead of schedule by successfully employing the following strategies to promote more consistent and fulfilling performance across the Agency:

- Identifying Q12 champions representing good practices, work teams and managers based on the results of the previous Q12 surveys.
- Promoting these champions in articles, Web sites and in other communication channels throughout the agency.
- Pilot testing the Gallup “StrengthsFinders” program.

Results for individual Services and Offices are available upon request.

PERFORMANCE GOAL
Develop a stronger linkage between organizational and individual performance.
MEASURE
Percentage of associates who have a new performance appraisal system developed linking appraisals to performance metrics.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	N/A	100% executives	100% executives

**DESCRIPTION OF THE MEASURE:** This measure tracks the implementation of new performance appraisal systems that link performance appraisals to organizational performance metrics for executives, managers, supervisors and all other GSA associates.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** GSA implemented a new Senior Executive Service performance management system in October 2002. The new system covers all senior executives and identifies both individual and organizational performance elements in each senior executive’s performance plan. GSA’s six strategic goals are identified as the critical elements in each senior executive’s performance plan, to directly link and align organizational performance to support of each of the agency-wide strategic goals. Each executive’s supervisor, in consultation with the executive, establishes both individual and organizational performance goals that support the achievement of the agency-wide goals.

## OCIO

## OFFICE OF CHIEF INFORMATION OFFICER

The OCIO mission includes creating a secure IT environment, optimizing IT investments using portfolio management and establishing GSA-wide enterprise architecture.

**OCIO PERFORMANCE HIGHLIGHTS**

**ELECTRONIC GOVERNMENT:** OCIO is GSA's lead for the PMA government-wide initiative "Expanding Electronic Government." The five eGov projects for which GSA has the lead serve both internal and external customers. The five projects include eAuthentication, eTravel, Integrated Acquisition, Federal Asset Sales and USA Services. These projects will enable citizens and businesses to conduct business with trust via eAuthentication; aid federal employees to readily plan, book and account for travel; facilitate businesses' transactions with the federal government via Integrated Acquisition; facilitate sales of federal assets for the best value; and link citizens inquiries to the right government agency for improved citizen service.





## OCIO PERFORMANCE BY GSA-WIDE GOALS

### GSA-WIDE GOAL 2: ACHIEVE RESPONSIBLE ASSET MANAGEMENT

PERFORMANCE GOAL	RESULT
PROVIDE A SECURE IT ENVIRONMENT.	GOAL MET

PERFORMANCE GOAL
Provide a secure IT environment.
MEASURE
Percentage of high-risk vulnerabilities resolved within the 30-day of report.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	83%	100%	100%

**DESCRIPTION OF THE MEASURE:** This measure describes how well GSA is mitigating high-risk vulnerabilities in its computer systems. As the high-risk vulnerabilities are discovered, OCIO seeks to remedy these vulnerabilities within 30 days, tracking them to ensure that they are.

**DISCUSSION OF FY 2003 TARGET VS. RESULT:** This year's target of 100 percent was successfully met. This was accomplished through the diligence of security officers and network and system administrators throughout GSA. A variety of high-risk vulnerabilities were manifested through security advisories and vulnerability scanning. This resulted in various patching efforts due to viruses/worms, Web servers and e-mail server vulnerabilities and router vulnerabilities. It also included tightening up technical controls through reconfiguration of servers.



**GSA-WIDE GOAL 3: OPERATE EFFICIENTLY AND EFFECTIVELY**

PERFORMANCE GOAL	RESULT
IMPROVE CAPITAL PLANNING AND INVESTMENT CONTROL AND IMPLEMENTATION.	GOAL NOT MET
IMPROVE CAPITAL PLANNING AND INVESTMENT CONTROL AND IMPLEMENTATION FOR THE FIVE GSA-LED EGOV INITIATIVES.	GOAL NOT MET
PROVIDE SECURE, RELIABLE, AND COST-EFFECTIVE IT INFRASTRUCTURE SERVICES.	GOAL NOT MET

PERFORMANCE GOAL
Improve IT Capital Planning and Investment Control and Implementation.
MEASURE
Percentage of major IT investment projects that are within 10 percent of planned cost and schedule.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	82%	100%	87%

**DESCRIPTION OF THE MEASURE:** This measure provides for monitoring the cost, schedule, performance and overall project assessment for all of GSA’s major IT investments. It is important to monitor these investments because they are critical to the business operations of the Agency and provide the electronic tools needed to support those business operations.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** During the entire second quarter of FY 2003, OCIO remained at an increased level of 87 percent of its major IT investments being within 10 percent of cost and schedule. In the first two months of the third quarter (through May 2003), OCIO has been at 80 percent and 83 percent, respectively. The reason for this decrease in the level or achievement is that reporting on all of the investments was not received. When a report is not received, those investments are rated as a presumptive assessment of not being within 10 percent of cost and schedule. To remedy this situation, OCIO is making a concerted and very directed effort to ensure that all reports are received from the SSOs on all major IT investments so that the overall assessment can reflect the actual status. Based upon this effort and the current status of investments, OCIO is projecting that we will achieve a level of 87 percent by the end of the fiscal year. Target will be missed because most of the major investments for the eGov initiatives are not within 10 percent of cost and schedule. These initiatives have not received the required funding from partner agencies and, as a result, are not within planned cost. This has also negatively impacted the planned schedule for these initiatives. OCIO currently does not anticipate that this situation will change significantly before the end of the fiscal year.

PERFORMANCE GOAL
Improve delivery of services to citizens, businesses and government agencies by leading interagency eGov investments.
MEASURE
Percentage of eGov initiatives IT investment projects that are within 10 percent of planned cost and schedule.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	60%	100%	60%

**DESCRIPTION OF THE MEASURE:** GSA is leading five of the 24 OMB eGov initiatives. The five GSA led initiatives are Integrated Acquisition Environment, eAuthentication, eTravel, Federal Asset Sales and USA Services. GSA assesses its five eGov initiatives on at least a monthly basis to ensure that the initiatives stay within 10 percent of cost and schedule goals.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** GSA eGov Initiatives have made great strides towards the PMA goals. In less than two years OCIO has eAuthentication and Integrated Acquisition available for use. The weak performance of achieving both cost and schedule goals is largely due to availability of funding, timeliness of external approvals and the scope and complexity of the projects. The joint program office has maintained costs and ensured reasonable use of all resources; with no overspending that is common in many new program areas. Every initiative has made progress, but some projects need to be re-baselined in FY 2004 due to changes in scope and funding.

PERFORMANCE GOAL
Provide secure, reliable, cost-effective IT infrastructure services.
MEASURE
Percentage of satisfied customers.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
N/A	N/A	84%	95%	86%

**DESCRIPTION OF THE MEASURE:** The OCIO provides a number of IT infrastructure services, such as a wide area network and e-mail, to the GSA Services, Staff Offices and Regions. The degree of customer satisfaction is represented as a percentage of customers who rate the service and support as “highly effective”.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Based on the results of the OCIO-conducted survey of GSA associates who use services provided by OCIO in FY 2003, customer satisfaction was 86 percent. This was a small improvement over the FY 2002 score of 84 percent. In written comments, associates indicated questions with remote access. As a result, OCIO is undertaking a review of the remote access provided to associates in GSA. Depending on associates' needs and location, associates may use dial-in, Virtual Private Network and eDSL for remote access. OCIO plans to develop a series of steps to better assist associates in the use of the range of remote access capabilities. These steps may include additional education in the use of remote access, an intranet site to list the steps needed to use remote access and wider publication of the remote access help desk phone number. If these steps are successful, the overall satisfaction score should improve in FY 2004.

# OCFO

## OFFICE OF CHIEF FINANCIAL OFFICER

The OCFO is responsible for financial management within the GSA. The OCFO develops overall agency policies and procedures for budget administration, financial reporting and financial management systems. Some of the most important policies include those for cash and credit management. An overall summary of the accomplishments of OCFO is presented in the OCFO's letter.



### OCFO PERFORMANCE BY GSA-WIDE GOALS

#### GSA-WIDE GOAL 3: OPERATE EFFICIENTLY AND EFFECTIVELY

PERFORMANCE GOAL	RESULT
INCREASE THE PERCENTAGE OF VENDOR INVOICES RECEIVED ELECTRONICALLY BY EDI THROUGH THE INTERNET.	GOAL NOT MET
INCREASE THE PERCENTAGE OF VENDOR PAYMENTS BY ELECTRONIC MEDIA SUCH AS EFT AND PURCHASE CARD.	GOAL MET

PERFORMANCE GOAL				
Increase the percentage of vendor invoices received electronically by EDI or through the Internet.				
MEASURE				
Percentage of vendor invoices received electronically by EDI or through the Internet.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
12%	24%	38%	50%	44%

**DESCRIPTION OF THE MEASURE:** Encourage electronic invoices via the Internet by placing clauses in GSA contracts and orders, and by continued marketing to vendors.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** During FY 2003 OCFO challenged itself with what it realized might be a difficult to reach performance level of 50 percent by yearend. Although unable to quite reach its FY 2003 goal, OCFO has continued to make progress from 39 percent in October 2002 to 44 percent at year-end. OCFO has continually discussed with contracting officers and vendors the advantage and availability of electronic invoicing via the Web.

In FY 2004 the implementation of 3GS, for FTS will significantly improve the migration of invoicing to an electronic format.

PERFORMANCE GOAL				
Increase the percentage of vendor payments made by electronic media such as EFT and purchase card.				
MEASURE				
Percentage of electronic invoices paid by electronic means such as EFT and purchase credit card.				

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
71%	79%	79%	81%	88%

**DESCRIPTION OF THE MEASURE:** Encourage use of EFT by emphasizing the use of purchase cards to procurement officials when a purchase is less than \$100,000.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** During FY 2003 OCFO was able to exceed its goal of 81 percent through continued aggressive efforts to explain to its vendors the benefits of receiving their payments electronically and actively seeking to enroll them in the electronic payment programs.



**GSA-WIDE GOAL 4: ENSURE FINANCIAL ACCOUNTABILITY**

PERFORMANCE GOAL	RESULT
MEET ALL REQUIREMENTS TO MAINTAIN A CLEAN OPINION ON GSA'S FINANCIAL STATEMENTS.	GOAL MET
ELIMINATE MATERIAL WEAKNESSES FOR FINANCIAL AND NON-FINANCIAL COMPONENTS AS REPORTED UNDER FEDERAL MANAGERS FINANCIAL INTEGRITY ACT (FMFIA).	GOAL MET

PERFORMANCE GOAL
Meet all requirements to maintain a clean opinion on GSA's financial statements.
MEASURE
Receive a clean opinion on financial statements.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
100%	100%	100%	100%	100%

**DESCRIPTION OF THE MEASURE:** GSA is required by legislation to produce annual financial statements and to have those statements audited by an independent auditor.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** On December 12, 2003, GSA received a clean opinion on its FY 2003 financial statements.

PERFORMANCE GOAL				
Eliminate material weaknesses and reportable conditions for financial and non-financial components as reported under Federal Managers Financial Integrity Act (FMFIA).				
MEASURE				
Number of internal control material weaknesses found in financial and non-financial components.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
0	0	0	0	0

**DESCRIPTION OF THE MEASURE:** A control weakness is material if it:

- Significantly impairs fulfillment of an agency or component’s mission.
- Deprives the public of needed services.
- Violates statutory or regulatory requirements.
- Significantly weakens safeguards against waste, loss, unauthorized use or misappropriation of funds, property, or other assets.
- Results in a conflict of interest.
- Merits the attention of the agency head/senior management, the Executive Office of the President, or the relevant congressional oversight committee.
- Is of a nature that omission from the report could reflect adversely on the actual or perceived management integrity of the agency.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** No material weakness issues were identified in FY 2003. GSA recognizes the FMFIA requirements as a continuing process for evaluating, improving and reporting on our management controls.

## OSBU

## OFFICE OF SMALL BUSINESS UTILIZATION

The Office of Small Business Utilization (OSBU) is GSA's advocate for small, minority, veteran, HUBZone and women business owners. Established by the Small Business Act of 1953, as amended by Public Law 95-507, SBU promotes increased access to GSA's nationwide procurement opportunities by nurturing entrepreneurial opportunities, outreach and training.

### SBU PERFORMANCE HIGHLIGHTS

Small Business Utilization supports small business activities throughout the country with its Small Business Utilization Centers in 11 regional offices. In addition there are Small Business Technical Advisors in the GSA Federal Supply Service, the GSA Federal Technology Service and the GSA Public Buildings Service as well as GSA Central Office.

SIGCOM is one example of how the Office of Small Business Utilization provides entrepreneurial opportunities to small businesses. SIGCOM, an employee-owned small business headquartered in Greensboro, North Carolina, provides "turnkey" security and communications solutions to the federal government primarily through its robust GSA Federal Supply Schedule. SIGCOM participates on several schedules including 58I for Professional Audio/Video Telecommunications and Security Solutions, Schedule 70 for General Purpose Commercial Information Technology Equipment, Software and Services, and Schedule 84 for Total Solutions for Law Enforcement, Security, Facilities Management, Fire, Rescue, Clothing, Marine Craft and Emergency/Disaster Response.



SIGCOM has developed relationships with many Department of Defense and civilian government customers and has developed a long-standing relationship with the U.S. Coast Guard. On March 20, 2003, SIGCOM received a \$730,000 award from the U.S. Coast Guard to engineer and install a secure video teleconferencing (VTC) network that allows commanders and other U.S. Coast Guard staff to establish face-to-face calls, from or to, any of seven sites throughout the United States. Since this network was bought with Homeland Security funds and will be used in a mission-critical environment, SIGCOM will "secure" the video calls with military encryption devices.



## OSBU PERFORMANCE BY GSA-WIDE GOALS

### GSA-WIDE GOAL 6: CARRY OUT SOCIAL, ENVIRONMENTAL AND OTHER RESPONSIBILITIES AS A FEDERAL GOVERNMENT AGENCY

PERFORMANCE GOAL	RESULT
MEET OR EXCEED THE GOAL OF PROVIDING CONTRACTING OPPORTUNITIES TO SMALL BUSINESSES.	TBD

PERFORMANCE GOAL
Meet or exceed the goal of providing contracting opportunities to small businesses.
MEASURE
Percent of contracting opportunities provided to small business.

FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
40.3%	40.1%	44.35%	40.0%	TBD

**DESCRIPTION OF THE MEASURE:** The Small Business Administration provides specific targets for the key elements of the overall small business utilization goal, including: Small Disadvantaged Business, Section 8(a), Woman-owned Business, Service Disabled Veteran-owned Business and HUBZone. The total target represents the consolidation of these targets.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** This measure reflects overall program performance. It is the only measure counted in the determination of whether GSA meets the GSA-wide goal. Numbers presented in the FY 2003 Actual column are preliminary and subject to verification within GSA as well as by the Small Business Administration.

Overall, GSA expects to achieve its goal for FY 2003 based on preliminary data. The SBU has worked diligently to secure senior staff (Central Office and Regional) commitment to achievement of the small business goal by selling SBU's vision and providing updates on progress in meeting or exceeding the small business goal. In addition, individual SBU Associates are assigned responsibility for the performance of each Service and small business program. SBU provides timely information on small business program activities (policy and regulatory) to the Regions and Services. SBU participates in numerous outreach activities that make it possible for the small business community to meet with key contracting experts and be counseled on the procurement process. This includes procurement networking sessions, marketing strategies and techniques workshops, procurement conferences and training workshops for potential Federal Supply Schedule contractors.

## OPI

## OFFICE OF PERFORMANCE IMPROVEMENT

The Office of Performance Improvement (OPI) provides advice to the Administrator, the Deputy Administrator on major policies and procedures related to GSA performance. Additionally, the Office is responsible for overseeing the development and execution of GSA's competitive sourcing program.

### OPI PERFORMANCE HIGHLIGHTS

**COMPETITIVE SOURCING:** The Office of Performance Improvement has ensured that the rules and regulations that guide the competitive sourcing program are adhered to in a timely and effective manner by providing assisted services such as OMB Circular A-76 training, project management and policy assistance for every organization conducting a competitive study or directly converting positions. Competitive sourcing requires an enormous amount of collaboration among the various Services and Offices throughout GSA. The Office of Performance Improvement ensures that all aspects of the competitive sourcing process are well understood and implemented successfully. During FY 2003, the Office of Performance Improvement worked with the Federal Technology Service to enable them to complete 3 streamlined competitions in Chicago, Atlanta and Philadelphia. We assisted the Federal Supply Service in the completion of the standard competition of the National Customer Service Center in Kansas City. Additionally, the Office worked with the Office of the Chief Financial Officer on the competition of the Indian Trust Accounting Division which could not be completed by year-end due to contractor's non-performance.



OPI in conjunction with the Competitive Sourcing Executive Committee and Competitive Sourcing Working Group has worked toward meeting the President's management goal of conducting 5 studies a year and reviewing as many commercial positions as possible over a number of years. As a result OPI has worked to develop on behalf of all of the agency's business units, a long-term Competitive Sourcing Plan that outlines the agency's proposed activities through fiscal year 2007.

## OPI PERFORMANCE BY GSA-WIDE GOALS

### GSA-WIDE GOAL 1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

PERFORMANCE GOAL	RESULT
MEET OMB TARGETS FOR THE COMPETITION AND/OR DIRECT CONVERSION OF COMMERCIAL FTE'S AS REPORTED ON GSA'S FAIR ACT INVENTORY.	GOAL MET

PERFORMANCE GOAL				
Meet OMB targets for the competition and/or direct conversion of commercial FTE's as reported on GSA's FAIR Act Inventory.				
MEASURE				
Number of FTE's studied/direct converted and dollars saved.				
FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL
		398 FTE	703 FTE	1122 FTE
		\$2.185M	\$1.905M	TBD

**DESCRIPTION OF THE MEASURE:** FTE are the Full Time Equivalents included in completed studies or direct converted. We are still developing a valid methodology to compute dollars saved.

**DISCUSSION OF FY 2003 TARGET VS. RESULTS:** Four of the five Competitive Sourcing Studies, scheduled for FY 2003, were completed. The fifth study was not completed due to contractor's non-performance. A total of 1,122 FTE were reviewed or direct converted, in excess of the target of 703 FTE. Valid cost saving estimates, however, are not available at this time.



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# Financial Section



## **CFO MISSION STATEMENT**

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Provide world-class financial management services, professional guidance, and innovative solutions to our customers.

## LETTER FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the U.S. General Services Administration's financial statements for fiscal year 2003. GSA is a service organization for the entire federal government; acquiring and providing goods, services and facilities to support the needs of other federal agencies – and now state and local governments. Approximately 13,000 GSA associates support over one million federal workers located in 8,000 government-owned and leased buildings in 2,000 U.S. communities and overseas.



*Kathleen Turco*

GSA's financial capabilities are proven. We routinely handle a tremendous business volume of transactions. As of September 30, 2003, GSA had funds to carry out our mission and had appropriate controls in place to ensure the agency did not exceed our budgetary authority. Aside from financial management within GSA, we are developing overall agency policies, guidelines, and procedures for budget administration, financial reporting, and financial management systems.

Our financial statements, which are integral to our performance and accountability report, have received an unqualified opinion from our auditors for the 16th consecutive year. This clean bill of financial health is particularly important to GSA because of our agency's strong commitment to accounting to the taxpayers for the funds we have been provided.

During this latest fiscal year we have made some significant accomplishments:

- GSA has begun to drive the linkage between performance and budgeting through its "Performance Management Process" (PMP); a new strategic planning, budget and performance process cycle. The PMP brings together strategic business planning, human capital requirements, information technology investments and performance measures, all focused on continually improving GSA's service to our Federal customers. We are leading GSA in an agency-wide effort to improve setting of performance plans, goals and measures, as well as a communication strategy to ensure that all associates understand its importance and how it supports the accomplishment of GSA's mission.
- Our financial system, "Pegasys," became GSA's official accounting system of record on October 1, 2002. With built-in data quality at the start of the transaction, we are working together to fulfill the GSA's accounting and financial management information requirements in order to continue providing timely, accurate and useful financial information.
- With the accelerated reporting timeframes mandated by OMB, our associates were challenged to redefine and streamline work processes in order to produce timely, reliable financial information to measure and affect performance in a real-time environment.

*Continued on following page*

- We revised the GSA credit card policy, strengthening management controls by requiring approving officials to conduct monthly statement reviews resulting in a nearly 100 percent review of cardholder statements. We reduced the delinquency rate on agency travel card from a high of 3 percent to 1 percent. We also earned the agency 100 percent of the rebate (\$325 thousand against \$33 million in purchases) by closely monitoring our financial data and working with the contractor to ensure full receipt of rebate.
- We have begun an Activity Based Costing initiative to determine our baseline costs. Anytime we look at choices, make decisions, or embark on a new venture we will use these measures. These measures will help us know where we are so that we can appreciate our achievements when we get there.

GSA is committed to strategies for improving our financial management, centered on maintaining unqualified audit opinions, eliminating material internal control weaknesses, meeting new and accelerated reporting requirements and implementing eGovernment initiatives. With our core values we will strive to remain a “world class” organization, committed to effective and efficient management of our resources, implementing the President’s Management Agenda, and meeting future challenges.



*Kathleen M. Turco*  
*Chief Financial Officer*

*December 18, 2003*

## INDEPENDENT AUDITOR'S REPORT

December 18, 2003

MEMORANDUM FOR STEPHEN A. PERRY  
ADMINISTRATOR (A)

KATHLEEN M. TURCO  
CHIEF FINANCIAL OFFICER (B)

FROM: DANIEL R. LEVINSON *Daniel R. Levinson*  
INSPECTOR GENERAL (J)

SUBJECT: Audit of the General Services Administration's Fiscal Years 2003 and 2002 Financial Statements

This memorandum transmits PricewaterhouseCoopers LLP's (PwC) report on its Fiscal Years 2003 and 2002 financial statement audit of the General Services Administration (GSA), and the Office of Inspector General's (OIG) report on internal controls over performance measures.

### **Results of Independent Audit**

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires GSA's Inspector General or an independent external auditor, as determined by the Inspector General, to audit the Agency's financial statements. Under a contract monitored by the OIG, PwC, an independent public accounting firm, performed the audits of GSA's Fiscal Years 2003 and 2002 financial statements. The contract required that the audits be performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States, and the Office of Management and Budget's (OMB) Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements."

PwC issued unqualified opinions on GSA's Fiscal Years 2003 and 2002 consolidated and combined financial statements and the financial statements of individual funds (Federal Buildings Fund, General Supply Fund, and the Information

Technology Fund). However, as of September 30, 2003, PwC issued a qualified opinion on the effectiveness of internal controls over financial reporting, and reported two instances of non-compliance with laws and regulations.

In its qualified opinion on the effectiveness of internal controls over financial reporting, PwC identified a material weakness concerning GSA's need to strengthen monitoring controls surrounding the Agency's financial management systems. During their testing of internal controls, PwC noted that certain monitoring controls were not clearly defined or were not implemented timely. Specifically, PwC noted a number of issues involving key reconciliations including a lack of policies and procedures for the performance of key reconciliations, a lack of sufficient documentation and evidence of supervisory review, and several instances in which key reconciliations were not completed timely.

In addition to the material weakness noted above, PwC identified four reportable conditions concerning GSA's need to (1) further strengthen network and application security controls, (2) improve development, implementation, and change controls over GSA's financial applications, (3) improve controls over transferring substantially complete construction in process projects, and (4) improve

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contracting practices in the Federal Technology Service (FTS) Office of IT Solutions. PwC also disclosed two instances of non-compliance with laws and regulations concerning (1) contracting practices in the FTS Office of IT Solutions, and (2) non-compliance with the Federal Financial Management Improvement Act (FFMIA), as it relates to GSA's compliance with Federal financial systems.

## ***OIG Evaluation of PwC's Audit Performance***

To ensure the quality of the audit work performed, we conducted a review of PwC's audit of GSA's Fiscal Years 2003 and 2002 financial statements. Specifically, we:

- Reviewed PwC's approach and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Reviewed PwC's audit report;
- Examined working papers related to assessing internal controls over GSA's financial reporting process and GSA's Electronic Data Processing systems; and
- Performed other procedures we deemed necessary.

PwC is responsible for the attached auditor's report dated December 12, 2003 and the conclusions expressed therein. We do not express opinions on GSA's financial statements or internal control or on whether GSA's financial management systems substantially complied with FFMIA; or conclusions on compliance with laws and regulations.

## ***Report on Internal Controls over Performance Measures***

In accordance with OMB Bulletin No. 01-02, the OIG performed the necessary audit procedures to obtain an understanding of the design and operation of internal controls over the reliability of data supporting the performance measures reported in the Management Discussion and Analysis section of GSA's Fiscal Year 2003 Annual Performance and Accountability Report. Last year, GSA established a process for verifying and ensuring the reliability of the internal controls over the data supporting the reported performance measures. Based on this plan, a schedule was developed for the review of all Services' and Staff Offices' performance measures. This review was successfully implemented for the Federal Supply Service. However, for Fiscal Year 2003, GSA examined only the internal controls over data supporting the performance measures for the Federal Technology Service. The established process to review the performance measure data for all Services and Staff Offices on a rotational basis was not implemented. The failure to verify and ensure the reliability of performance measure data is an internal control weakness and is thus a reportable condition.

The Office of Inspector General appreciates the courtesies and cooperation extended to PwC and to our audit staff during the audit and review. If you or your staff have any questions, please contact me or Eugene L. Waszily, Assistant Inspector General for Auditing.



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## REPORT OF INDEPENDENT AUDITORS

To Mr. Daniel R. Levinson  
 Inspector General of the United States General Services Administration

In our audits of the United States General Services Administration (GSA) and its three primary revolving funds, the Federal Buildings Fund (the FBF), the General Supply Fund (the GSF), and the Information Technology Fund (the ITF), we found:

- The consolidated balance sheets of GSA and individual balance sheets of the FBF, the GSF, and the ITF as of September 30, 2003 and 2002, and the related consolidated, combined and individual statements of net cost, of changes in net position, of financing and of budgetary resources for the fiscal years then ended are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- Except for the effect of the material weakness related to monitoring controls surrounding GSA's financial management systems, GSA, the FBF, the GSF, and the ITF have maintained, in all material respects, effective internal control over financial reporting as of September 30, 2003, based on the internal control objectives in OMB Bulletin 01-02.
- Reportable instances of non-compliance with the laws and regulations we tested, including an instance in which GSA's financial management systems did not substantially comply with the requirements of the FFMIA, and non-compliance with other laws and regulations specified in OMB Bulletin No. 01-02.

The following sections present each of these conclusions in more detail.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of GSA and individual balance sheets of the FBF, the GSF, and the ITF as of September 30, 2003 and 2002, and the related consolidated and individual statements of net cost, of changes in net position, of financing and the combined and individual statements of budgetary resources for the fiscal years then ended. These financial statements are the responsibility of GSA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and, except for the provisions of paragraph 6.f. relating to internal control over performance measures, in accordance with Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. The work required by paragraph 6.f. was performed by the GSA Office of Inspector General, and the objective of that work was to gain an understanding of and report deficiencies in the design of internal control over performance measures, rather than to plan the financial statement audit. Auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the consolidated, combined and individual financial statements referred to above, present fairly, in all material respects, the financial position of GSA, the FBF, the GSF, and the ITF at September 30, 2003 and 2002, and their net cost, changes in net position, budgetary resources, and reconciliation of net cost to budgetary resources for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Opinion on the Effectiveness of Internal Control over Financial Reporting**

We have examined the effectiveness of GSA's, the FBF's, the GSF's, and the ITF's systems of accounting and internal control over financial reporting as of September 30, 2003, based on the internal control objectives in OMB Bulletin No. 01-02, and the criteria in the Federal Managers' Financial Integrity Act (FMFIA) of 1982. We did not examine all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. GSA's management is responsible for maintaining effective internal control over financial reporting. Our responsibility is to express an opinion on the effectiveness of internal control based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 01-02 except for the provisions of paragraph 6.f. and, accordingly, included obtaining an understanding of the internal control over financial reporting, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over financial reporting to future periods are



subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We noted certain matters related to internal control, described below, which we believe to be a material weakness. A material weakness is a condition that precludes the entity's internal control from providing reasonable assurance that material misstatements in the financial statements will be prevented or detected on a timely basis. This condition was considered in determining the nature, timing and extent of audit tests applied in our audit of the fiscal year 2003 financial statements.

### **Material Weakness**

#### ***1. GSA needs to strengthen its monitoring controls surrounding the financial management systems.***

The GSA implemented a new financial system, Pegasys, during the fiscal year. As part of our interim testing of internal control, we noted a number of issues including:

- We noted during our testing of the reconciliation of Pegasys to NEAR that reconciliation procedures did not exist, or were not documented, and unreconciled differences were not resolved in a timely manner. Specifically:
  - GSA lacked formal policies and procedures for reconciling Pegasys to NEAR data,
  - the reconciliations lacked sufficient documentation and evidence of supervisory review and approval, and
  - unreconciled differences were not resolved in a timely manner. For example, the FBF reconciliation contained differences dating back to October 2002.

Management developed and initiated corrective actions in response to our interim findings before the end of the fiscal year. These actions included the reconciliation of the accounts to the supporting systems and detail. Although action plans were developed and initiated for these issues, resolving most of them, certain matters remained unresolved as of September 30, 2003.

During our year-end audit procedures, we noted the following control weaknesses:

- Reconciliations of the details of accounts payable and undelivered orders to the general ledger were not completed during the year. These reconciliations were only performed during the latter part of the fiscal year and completed during November 2003. The reconciling items resulted in material adjustments to the financial records. There are still unidentified reconciling differences, which are not material to the financial statements, at the date of this report.
- Reconciliations of Fund Balance with Treasury to the general ledger, including identification and resolution of reconciling items, were not completed timely during the fiscal year. These reconciliations were only completed during November 2003 and still include unidentified reconciling differences, which are not material to the financial statements, at the date of this report.

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- Reconciliations of accounts receivable (at the FBF and the ITF) were not completed timely. The reconciliations still include unidentified reconciling differences, which are not material to the financial statements, at the date of this report.

In accordance with the OMB's financial reporting requirements, GSA began preparing interim financial statements in fiscal year 2002, and quarterly financial statements in fiscal year 2003. While the requirements of OMB for quarterly financial information contemplate that agencies may be required to estimate certain amounts, the processing of routine transactions nevertheless must be monitored through timely and complete reconciliation processes conducted throughout the year. OMB Circular No. A-123 "Management Accountability and Control" (A-123) requires that "transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination". Also, A-123 states that "managers should promptly evaluate and determine proper actions in response to known deficiencies, reported audit and other findings, and related recommendations. Managers should complete, within established timeframes, all actions that correct or otherwise resolve the appropriate matters brought to management's attention".

We understand that the Office of the CFO (OCFO) experienced problems with the day-to-day operations of the new system. These problems included untimely and incomplete financial reports and significant manual work-arounds for the reporting process. The production of the consolidating financial statements remains a function that the OCFO cannot perform without manual reworking of data. Due to resource constraints, initial priority was given to resolve core transaction processing challenges. GSA then focused on follow-up and resolution of certain internal control issues. Management developed and initiated corrective actions in response to the weakness in the reconciliation process.

#### **Recommendation**

We recommend that management institute, and document, effective reconciliation controls over account balances in its financial management systems, including completion of the action plans surrounding noted issues.

We also recommend that GSA conduct an assessment of the root causes of the control breakdowns that arose as a consequence of the implementation of Pegasys and develop policies and procedures to ensure that adequate controls are designed and implemented.

Further, we recommend that GSA conduct a review of its monitoring controls to provide assurance to management that internal control activities are being performed. These procedures should ensure that senior management is advised of deficiencies in control activities and institutes adequate corrective actions on a timely basis.

In our opinion, except for the effects of the material weakness described above, GSA, the FBF, the GSF, and the ITF have maintained, in all material respects, effective internal control over financial reporting as of September 30, 2003, based on the internal control objectives in OMB Bulletin No. 01-02 and the criteria in FMFIA.



However, we noted certain matters involving the internal control and its operation, set forth below, that we consider to be reportable conditions under standards established by the AICPA and OMB Bulletin No. 01-02. A reportable condition is a matter coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the agency's ability to meet the internal control objectives described in OMB Bulletin No. 01-02.

A material weakness, as defined by the AICPA and OMB Bulletin No. 01-02, is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited or to a performance measure or aggregation of related performance measures may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties. We believe that none of the four reportable conditions that follow is a material weakness as defined by the AICPA and OMB Bulletin No. 01-02.

### **Reportable Conditions**

#### ***1. GSA needs to further strengthen network and application security controls.***

GSA needs to further strengthen network and application security controls. In performing our FY 2003 audit, we conducted follow-up testing for general computer controls and application controls reviews over four financially significant systems (Pegasys, FSS-19, IRIS, and TOPS). We noted GSA initiated a plan to conduct risk assessments for all major applications, and the IT Security Department started reviewing entity-wide compliance with security policies and procedures. GSA also began conducting scans of its network to identify and correct network security weaknesses.

Despite these accomplishments, GSA's systems environment remains threatened by security and related exposures impacting key elements of its financial systems and networks. The detailed findings, identified during testing from FY 1998 through FY 2003, are contained in the EDP Management Letter for FY 2003. The general areas where exposures exist, across GSA and the Services, include:

- Application-specific security policies, procedures and automated access controls;
- Documentation, approval and periodic recertification of user access;
- Programmer and security administrator access to production code and data;
- Security monitoring; and
- Network and server security.

These weaknesses expose GSA's financial systems and resources to significant risk of unauthorized access to data, programs, and equipment, which could lead to intentional or unintentional modification or destruction of these resources.

Further strengthening the network and application security controls across the agency will help to ensure that the current and future systems environment will meet a minimum level of security. This environment includes the

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GSA wide-area network backbone maintained by the Office of the CIO, the application systems maintained by the Services and Staff Offices, and the local area networks and smaller data centers in the Regions.

### Recommendation

GSA management should strengthen network and application security controls by taking actions to improve:

- Application-specific security policies, procedures and automated access controls.
- Documentation, approval and periodic recertification of user access.
- Programmer and security administrator access to production code and data.
- Security monitoring.
- Network and server security.

### 2. *Development, implementation and change controls over GSA's financial applications continue to need improvement.*

Development, implementation and change controls over GSA's financial applications continue to need improvement. In FY 2002, GSA had a reportable condition regarding the need to improve change controls over its financial applications. During FY 2003, GSA made progress in addressing the change control issues raised in prior years. Specifically, the GSA CIO has drafted the GSA IT Systems Management Handbook (CIO P2140.1.C) (draft) (Aug. 30, 2003). The Office of the CFO and each individual service has also taken action in this area, including the following:

- The CFO developed emergency change control procedures for NEAR.
- The CFO developed a configuration management process and procedures guide.
- IRIS application support staff have removed programmer access to production.
- IRIS application support staff have developed emergency change control procedures for IRIS.

In addition, GSA's Capital Planning Guide (CPG) contains expanded documentation requirements for systems planning and management, and links development and security controls to capital projects.

Most of the efforts noted above have enhanced the development, implementation and change controls relative to future, current and/or recent implementation efforts. However, as part of our interim testing of the controls surrounding Pegasys, which was implemented in FY 2003, we noted a number of issues that indicate development, implementation, and change control procedures continue to need improvement. For example:

- Weak password settings combined with no security logging and monitoring increased the risk that unauthorized access to Pegasys could be obtained and go undetected, potentially impacting the integrity of Pegasys data;
- Users were given incompatible duties enabling some users to create, approve and process purchase orders, and users with incompatible duties or administrative access were not monitored; and



- Unix and Oracle security settings needed improvement to reduce the vulnerability of the system and data to unauthorized modification.

GSA's system environment remains threatened by a lack of consistent development, implementation, and change controls. Inadequate or inconsistent system development, implementation and change controls can lead to wasted resources (time, money, staffing), unauthorized changes to applications, projects that fail to meet business needs, system security weaknesses, and inadequately controlled financial systems.

### **Recommendation**

GSA management should strengthen development, implementation and change control policies and procedures and implement those procedures on all current and future financial applications.

### **3. Controls over transferring substantially complete construction in process projects need improvement.**

In FYs 2001 and 2002, we identified a reportable condition related to GSA not performing timely transfers of construction projects out of the construction in process (CIP) general ledger accounts upon substantial completion. In response, PBS implemented action plans to address these findings. During our testing in FY 2003, we noted some improvements in the number of errors, however the magnitude of required adjustments continues to indicate that preventative controls are not adequate.

When a new CIP project is established, regional personnel are expected to enter all necessary information, including the expected date of completion, into the Inventory Reporting Information System (IRIS). This information allows GSA central office personnel to monitor the status of construction projects. Once a project is substantially complete, the project manager should enter the date of substantial completion in IRIS so that the project will be transferred into the Real Property Accounting Depreciation System (RPADS), GSA's property subsidiary ledger. GSA is aware that weaknesses in these processes can lead to the failure to recognize the completion of construction projects on a timely basis. Therefore, PBS performs procedures to identify and manually adjust substantially complete projects that were not systematically moved into RPADS. For new construction projects and major repair and alteration projects greater than \$500,000, PBS distributes a semi-annual questionnaire to track the status of these projects and ensure timely transfer from CIP to the building account. For work in process projects with no completion date in RPADS, PBS conducts statistical samples to determine the amounts to be reported in the financial statements. The results of the September 2003 sample indicated that 37% of the CIP projects tested should not have been in the CIP accounts, either because they were substantially complete or did not meet GSA's policy for capitalization. The causes underlying these misstatements included regional personnel not entering completion dates in IRIS, regional personnel not expensing cancelled projects, problems with archived projects, and manual procedures performed by central office staff not addressing all CIP issues.

While PBS has implemented detective controls including sampling of projects to determine the amounts to be reported in the financial statements, improvements in the preventive controls related to the data maintained in IRIS for CIP projects will be essential for GSA to meet its financial reporting obligations. In FY 2004 the requirement for annual audited financial statements will be accelerated to 45 days after the end of the year.

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**Recommendation**

PBS should continue to emphasize its control procedures to ensure that substantially complete CIP projects are transferred to the building account and costs not qualifying for capitalization are expensed in a timely manner:

PBS needs to continue its efforts to review the definition of “substantial completion” with the regions and ensure that project managers are entering into IRIS the expected completion date at the beginning of the project and at the date of substantial completion. PBS also needs to enforce procedures that require expensing items from CIP when a project is cancelled or when the item does not meet the definition of a capital asset.

**4. Contracting practices at the Federal Technology Service (FTS) – IT Solutions need improvement**

FTS management requested the GSA Office of Inspector General (OIG) to include in its Annual Audit Plan the audit of the procurement processes of FTS Client Support Centers (CSCs). The focus of the OIG audit of the CSCs was to determine if procurements were in accordance with the Federal Acquisition Regulations (FAR) and with the terms and conditions of the contract utilized. The audit focused on three of the 11 regional CSCs. Audit work for Regions 4, 6 and 10 was completed by the end of FY 2003. The audit focused on procurements made in FY 2002, however in some cases the projects were followed back to FY 1997 and through to FY 2003. The OIG report was issued in draft to management and will be finalized during the second quarter of FY 2004.

The audit identified numerous improper task orders and contract awards. In making these awards, CSC officials breached Government procurement laws and regulations. Inappropriate contracting practices included:

- improper sole source awards,
- misuse of small business contracts,
- allowing work outside the contract scope,
- improper order modifications,
- frequent inappropriate use of time and materials task orders, and
- not enforcing contract provisions.

The OIG also found that CSC officials processed procurement transactions for goods and services through the Information Technology Fund (ITF) that were well outside the fund’s legislative authorized purposes. The procurement authority of the Information Technology Fund (ITF) is restricted to acquiring information technology equipment, software, and related services.

As a result, the procurements did not provide reasonable assurance that the Government received supplies and services at a fair and reasonable price, and the fundamental objectives underlying the federal procurement process were not achieved.



The audit identified several factors which contributed to the problems, including:

- an inadequate system of internal management controls,
- CSC personnel sacrificing adherence to proper procurement procedures in order to accommodate customer preferences, and
- a culture that emphasized revenue growth.

These factors created an environment that fostered client-driven decisions and inattention to laws and regulations, increasing the program's vulnerability to fraud, waste and abuse. The internal controls that were established were not always effective and did not provide assurance that Government funds were reasonably protected.

Management took immediate action when the Audit Alert Report on Region 10's improper contracting practices was issued by the OIG during March 2003, which included:

- reassigning all the associates in the Bremerton office to the Regional Office in Auburn, WA, in May 2003 to enable strengthened supervisory oversight;
- implementing new and refresher training courses in contracting and appropriations law;
- restructuring the Region 10 FTS organization into teams in which Network Services, IT Solutions, and acquisition associates work together to assure quality task order procedures; and
- assigning a Chief of Acquisition responsible for oversight of acquisitions and for developing internal procedures and/or statements of objectives for FTS work to be performed in Region 10.

Management, assisted by the OIG, is gathering detailed information regarding actions by individual associates. Using this information, management will determine appropriate disciplinary or other personnel actions. Management has also requested the OIG to perform similar audits at the other eight Regions of FTS to determine the extent of the weaknesses and problems at FTS.

FTS management has begun to implement a series of actions and initiatives designed to improve acquisition quality and integrity across the Federal Technology Service. They include:

- Reiteration of existing FTS policies.
- Strengthening of FTS internal controls.
- Implementation of additional legal review requirements.
- Development of FTS acquisition improvement action plans.
- Assessment of performance goals and measures.
- Implementation of acquisition checklists.
- Establishment of a Procurement Management Review program.
- Conducting an independent FTS Management Study of contract and management operations.

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**Recommendation**

FTS management should complete their action plans to strengthen the internal control environment to resolve the detailed findings in the OIG report on the Audit of FTS Client Support Centers. Strengthening the internal controls across FTS will help to ensure that the current system will prevent and detect the occurrence of similar problems.

**Follow-up on Previous Report**

In our report in connection with the FY 2002 GSA financial statements dated December 19, 2002, we reported four reportable conditions in the areas of (1) GSA needs to further strengthen network and application security controls, (2) Change controls over GSA's financial applications continue to need improvement, (3) Controls over the integrity of rent data continue to need improvement, and (4) Controls over transferring substantially complete construction in process projects need improvement. We believe item (3) has been corrected. Items (1), (2) and (4) remain as reportable conditions in FY 2003.

We noted other less significant matters involving the internal control and its operation that we will communicate in a separate letter.

**Report on Compliance with Laws and Regulations**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 01-02.

The management of GSA is responsible for complying with laws and regulations applicable to the agency. As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of GSA's, the FBF's, the GSF's and the ITF's compliance with certain provisions of applicable laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to GSA, the FBF, the GSF and the ITF.

The results of our tests of compliance disclosed the following instances of non-compliance with laws and regulations discussed in the preceding paragraph, exclusive of FFMIA, that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02:



#### FTS contracting practices

As discussed above in the reportable condition titled “*Contracting practices at FTS – IT Solutions need improvement*”, the OIG noted instances in which FTS officials breached Government procurement laws and regulations and, on a number of occasions, processed procurement transactions for goods and services through the ITF that were well outside the fund’s legislatively authorized purposes.

Under FFMIA, we are required to report whether the GSA’s, the FBF’s, the GSF’s and the ITF’s financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed the following instance in which GSA’s financial management systems did not substantially comply with the Federal financial management systems requirements of FFMIA:

#### Material weakness in internal control

In our “Report on the Effectiveness of Internal Control over Financial Reporting” above, we report a material weakness in internal control over financial reporting titled “*GSA needs to strengthen its monitoring controls surrounding its financial management systems*”. We believe that the failure to perform timely reconciliations of accounts payable and undelivered orders, Fund Balance with Treasury, and accounts receivable, in the aggregate, is a condition that precludes the GSA and its major funds from providing reasonable assurance that material misstatements in the financial statements will be prevented or detected on a timely basis. The FFMIA and related implementation guidance set forth requirements for agency financial management systems, including preparing financial statements and other required financial and budget reports and providing reliable and timely financial information for managing current operations, in a way that is consistent with the Federal accounting standards and the Standard General Ledger. Further, “Financial Management System Requirements” in Section 7 of OMB Circular A-127 requires agency financial management systems to include a system of internal controls that ensure reliable data are obtained, maintained, and disclosed in reports.

In accordance with FFMIA, we report the following with respect to the instance of lack of substantial compliance:

- GSA is the entity responsible for the systems found not to comply;
- Relevant facts pertaining to the non-compliance are included in this report in the section above titled “*GSA needs to strengthen its monitoring controls surrounding its financial management systems*”;
- We recommend that management institute, and document, effective reconciliation controls over account balances in its financial management systems, including completion of the action plans surrounding noted issues, prior to filing December 2003 financial reports.

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The results of our tests disclosed no instances in which the agency's financial management systems did not substantially comply with applicable Federal accounting standards or the United States Standard General Ledger at the transaction level. Our work on FFMIA would not necessarily disclose all instances of lack of substantial compliance with FFMIA requirements.

The objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions of laws and regulations and, accordingly, we do not express such an opinion.

### Other Information

Our audits were performed for the purpose of expressing opinions on the GSA consolidated and combined, the FBF, the GSF, and the ITF financial statements taken as a whole. The financial statements of Other Funds and the Intra-GSA Eliminations, presented in the consolidating and combining financial statements, are presented for purposes of additional analysis of the GSA consolidated and combined financial statements, rather than to present the financial position, changes in net position, reconciliation of net cost to budgetary resources and budgetary resources of the other funds. Such information has been subjected to the auditing procedures applied in our audits of the GSA consolidated and combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the GSA consolidated and combined financial statements taken as a whole.

The supplemental consolidating statements of operations and of cash flows for the years ended September 30, 2003 and 2002, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such supplemental statements have been subjected to the auditing procedures applied in our audits of the financial statements referred to above and, in our opinion, are fairly stated, in all material respects, in relation to the consolidated and combined financial statements of GSA and the individual financial statements of the FBF, the GSF, and the ITF taken as a whole.

The Management's Discussion and Analysis and the disclosures on deferred maintenance and intra-governmental balances are not required parts of the financial statements but are supplementary information required by the Federal Accounting Standards Advisory Board and OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. According to OMB Bulletin No. 01-09, reporting entities shall reconcile intra-governmental asset, liability, and revenue amounts reported in the required supplementary information with their trading partners at least annually as of the fiscal year end. GSA has not performed these reconciliations and has disclosed this in note 1.B to the financial statements. We have applied certain limited procedures to such information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The other accompanying information included in this performance and accountability report, is presented for purposes of additional analysis and is not a required part of the consolidated and combined, and individual financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated and combined, and individual financial statements and, accordingly, we express no opinion on it.



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This report is intended solely for the information and use of the management and Inspector General of GSA, OMB, the General Accounting Office and Congress and is not intended to be and should not be used by anyone other than these specified parties.

*PricewaterhouseCoopers LLP*

December 12, 2003

December 3, 2003

MEMORANDUM FOR STEPHEN A. PERRY  
ADMINISTRATOR (A)

KATHLEEN M. TURCO  
CHIEF FINANCIAL OFFICER (B)

FROM: DANIEL R. LEVINSON *Daniel R. Levinson*  
INSPECTOR GENERAL (J)

SUBJECT: Report on Internal Controls Over Performance Measures

This report presents the results of the Office of Inspector General's (OIG) review regarding the design and operation of the system of internal controls over performance measures reported in the Management Discussion and Analysis section of the General Services Administration's (GSA) Fiscal Year (FY) 2003 Performance and Accountability Report. This report also describes our audit responsibilities for conducting the performance measure review.

### ***Scope and Methodology***

Under a contract monitored by the OIG, Pricewaterhouse Coopers LLP (PwC) performed the audit of GSA's FY 2003 Financial Statements. However, the portion of the audit related to internal controls over performance measures was performed by the OIG. During our review, we assessed the reasonableness of GSA's system of internal controls concerning the existence and completeness of data supporting performance measures. To obtain an understanding of the controls in place, we examined current GSA Government Performance and Results Act (GPRA) reporting policy and interviewed Office of the Chief Financial Officer (CFO) officials regarding compliance with the policy. We also reviewed documentation provided by CFO officials that demonstrated that internal controls were in place and operational. However, our procedures were not designed to provide assurance on specific internal controls related to individual reported performance measures. Therefore, we do not provide an opinion on specific controls.

We conducted this review in accordance with Generally Accepted Government Auditing Standards as well as the provisions set forth in the Office of Management and Budget (OMB) Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements", related to performance measures.

### ***Results of Audit***

The results of our testing indicated that the Office of the CFO did not implement an established process to examine the Services' and Staff Offices' FY 2003 performance measure data on a rotational basis in order to verify and ensure its reliability. The failure to verify and ensure the reliability of performance measure data is an internal controls weakness and is thus a reportable condition.

According to OMB Bulletin No. 01-02, reportable conditions are matters coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of an internal control that could adversely affect the organization's ability to record, process, summarize, and report performance information.

In our reviews of GSA's FYs 2000 and 2001 internal controls over performance measure data, we identified a reportable condition regarding the need for the Office of the CFO to verify and ensure the reliability of the data supporting the performance measures. In response, the Office of the CFO

developed an action plan in FY 2001 that described the process that would be used to assess controls over performance measure data. Surveys were issued to Agency managers assessing the adequacy of controls and procedures over performance measure data. Also, the Office of the CFO reviewed the controls over the Public Buildings Service's (PBS) performance measure data. However, we recommended that the Office of the CFO needed to establish a plan for implementing the review process in other Services' and Staff Offices'.

In FY 2002, we found that the Office of the CFO established a plan for implementing a review process to ensure the adequacy of internal controls over performance measure data. This process was successfully tested in the Federal Supply Service and a schedule was developed for the review of other Services' and Staff Offices' performance measures. Since the Office of the CFO had adhered to our recommendations, we considered the reportable condition to be resolved. However, we discovered that this year the Office of the CFO only examined the Federal Technology Service's (FTS) internal controls over performance measure data and had not implemented the established process to review performance measure data for all Services' and Staff Offices' on a rotational basis.

Specifically, the Office of the CFO issued a survey to FTS managers to assess the adequacy of controls over FY 2003 performance measure data and conducted a review of FTS performance measures. In the Office of the CFO's assessment of FTS performance data, it was reported that financial measurement data comes from Pegasys, which has controls in place to ensure the reliability of data. Also, FTS feeder systems that provide input into Pegasys are accredited and certified, are in the process of becoming so, or have interim authority to operate. It was also reported that the roles and responsibilities for performance measures are clearly codified, and controls and procedures for data collection are in place to ensure the performance measure data is verifiable and valid.

Although FTS performance measure data was examined in FY 2003, the Office of the CFO did not implement its plan to examine performance measure data in four other Staff Offices. According to the Office of the CFO personnel, performance measure data was not examined in these other Staff Offices because of staffing limitations. We confirmed that surveys were issued this past summer to Agency managers in Staff Offices. We were also informed that staffing will increase to assess the adequacy of controls and procedures over FY 2004 Performance Measures.

We recognize that progress has been made towards implementing a process to ensure the adequacy of internal controls over performance measures data. However, we believe the process needs to be fully implemented by reviewing performance measure data in Staff Offices. The lack of progress in implementing this internal control represents a reportable condition.

# PRINCIPAL FINANCIAL STATEMENTS

## CONSOLIDATING STATEMENTS OF NET COST

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002  
(Dollars in Millions)

	2003	2002
<b>FEDERAL BUILDINGS FUND:</b>		
Revenues:		
Building Operations - Government Owned	\$ 3,805	\$ 3,598
Building Operations - Leased	4,067	3,844
Expenses:		
Building Operations - Government Owned	3,071	2,961
Building Operations - Leased	3,985	3,751
Net Income From (Cost of) Continuing Operations	816	730
Transferred Operations: (Note 13)		
Revenues - Federal Protective Service	83	191
Expenses - Federal Protective Service	231	467
Net Income From (Cost of) Transferred Operations	(148)	(276)
Net Income From (Cost of) Operations	668	454
<b>GENERAL SUPPLY FUND:</b>		
Revenues:		
Supply Operations	967	870
Vehicle Acquisition and Leasing	1,701	1,560
Commercial Acquisition	551	475
Other Programs	50	29
Expenses:		
Supply Operations	956	874
Vehicle Acquisition and Leasing	1,660	1,467
Commercial Acquisition	427	410
Other Programs	81	27
Net Income From (Cost of) Operations	145	156
<b>INFORMATION TECHNOLOGY FUND:</b>		
Revenues:		
Network Services	1,098	954
IT Solutions	7,589	6,137
Expenses:		
Network Services	1,102	896
IT Solutions	7,598	6,173
Net Income From (Cost of) Operations	(13)	22

Continued from previous page

	2003	2002
<b>OTHER FUNDS:</b>		
Revenues:		
Working Capital Fund	323	283
GSA OE and OGP Funds	27	23
Other Funds	3	3
Expenses:		
Working Capital Fund	329	272
GSA OE and OGP Funds	152	161
Other Funds (Note 14)	752	67
Net Income From (Cost of) Operations	(880)	(191)
<b>LESS: INTRA-GSA ELIMINATIONS:</b>		
Revenues	528	431
Expenses	555	457
<b>GSA CONSOLIDATED:</b>		
Revenues	19,736	17,536
Expenses	19,789	17,069
Net Income From (Cost of) Operations	\$ (53)	\$ 467

The accompanying notes are an integral part of these statements.

## PRINCIPAL FINANCIAL STATEMENTS

## CONSOLIDATING BALANCE SHEETS

AS OF SEPTEMBER 30, 2003 AND 2002  
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND	
	2003	2002	2003	2002
<b>ASSETS</b>				
Intragovernmental Assets:				
Funds with U.S. Treasury (Note 1-D)	\$ 4,854	\$ 4,639	\$ 458	\$ 428
Accounts Receivable - Federal, Net (Note 7)	270	280	306	258
Prepaid Expenses and Advances - Federal	-	15	1	8
Total Intragovernmental	5,124	4,934	765	694
Inventories (Note 1-E)	3	3	229	157
Accounts Receivable - Public, Net (Note 7)	6	6	74	59
Prepaid Expenses and Advances - Public	-	-	6	12
Other Assets	19	8	8	3
Property and Equipment (Notes 1-F,2,8):				
Buildings	22,633	20,522	-	-
Leasehold Improvements	307	271	6	6
Telecommunications and ADP Equipment	-	-	-	-
Motor Vehicles	-	-	3,674	3,551
Other Equipment	64	73	121	100
Less: Accumulated Depreciation and Amortization	(10,371)	(9,349)	(1,215)	(1,143)
Subtotal	12,633	11,517	2,586	2,514
Land	1,178	1,185	-	-
Construction in Process	722	1,273	2	-
Total Property and Equipment	14,533	13,975	2,588	2,514
<b>Total Assets</b>	<b>\$19,685</b>	<b>\$ 18,926</b>	<b>\$ 3,670</b>	<b>\$ 3,439</b>
<b>LIABILITIES AND NET POSITION</b>				
Intragovernmental Liabilities:				
Accounts Payable and Accrued Expenses - Federal	\$ 79	\$ 70	\$ 31	\$ 22
Deferred Revenue and Advances - Federal	33	41	47	23
Intragovernmental Debt (Note 3)	2,231	2,308	-	-
Workers' Compensation Actuarial Liability (Note 1-J)	111	130	33	32
Other Intragovernmental Liabilities (Note 9)	226	192	6	6
Total Intragovernmental	2,680	2,741	117	83
Accounts Payable and Accrued Expenses - Public	813	808	160	142
Deferred Revenue and Advances - Public	13	15	-	-
Environmental and Disposals (Notes 6-B, 8-B)	20	29	-	-
Obligations Under Capital Leases (Note 2)	277	285	-	-
Annual Leave Liability (Note 1-H)	37	42	17	16
Deposit Fund Liability	-	-	-	-
Earnings Payable to U.S. Treasury	-	-	-	-
Other Liabilities (Note 9)	209	141	6	5
<b>Total Liabilities</b>	<b>4,049</b>	<b>4,061</b>	<b>300</b>	<b>246</b>
<b>NET POSITION (NOTE 5):</b>				
Cumulative Results of Operations	15,599	14,820	3,370	3,193
Unexpended Appropriations	37	45	-	-
Total Net Position	15,636	14,865	3,370	3,193
<b>Total Liabilities and Net Position</b>	<b>\$19,685</b>	<b>\$ 18,926</b>	<b>\$ 3,670</b>	<b>\$ 3,439</b>

The accompanying notes are an integral part of these statements.

	INFORMATION TECHNOLOGY FUND		OTHER FUNDS		LESS INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$ 315	\$ 226	\$ 472	\$ 436	\$ -	\$ -	\$ 6,099	\$ 5,729
	1,467	1,248	3	4	16	21	2,030	1,769
	-	8	17	13	-	29	18	15
	1,782	1,482	492	453	16	50	8,147	7,513
	-	-	-	-	-	-	232	160
	34	9	19	22	-	-	133	96
	-	-	-	-	-	-	6	12
	10	5	3	3	35	15	5	4
	-	-	-	-	-	-	22,633	20,522
	-	-	-	-	-	-	313	277
	169	167	-	-	-	-	169	167
	-	-	-	-	-	-	3,674	3,551
	91	95	64	30	-	-	340	298
	(205)	(186)	(15)	(10)	-	-	(11,806)	(10,688)
	55	76	49	20	-	-	15,323	14,127
	-	-	-	-	-	-	1,178	1,185
	30	6	-	33	-	-	754	1,312
	85	82	49	53	-	-	17,255	16,624
	\$ 1,911	\$ 1,578	\$ 563	\$ 531	\$ 51	\$ 65	\$25,778	\$ 24,409
	\$ 38	\$ 23	\$ 10	\$ 13	\$ 16	\$ 21	\$ 142	\$ 107
	176	164	37	45	35	44	258	229
	-	-	-	-	-	-	2,231	2,308
	11	11	19	19	-	-	174	192
	2	2	46	22	-	-	280	222
	227	200	112	99	51	65	3,085	3,058
	1,409	1,104	25	34	-	-	2,407	2,088
	-	-	-	-	-	-	13	15
	-	-	45	57	-	-	65	86
	-	-	-	-	-	-	277	285
	12	11	18	17	-	-	84	86
	-	-	51	39	-	-	51	39
	-	-	37	49	-	-	37	49
	1	-	8	8	-	-	224	154
	1,649	1,315	296	303	51	65	6,243	5,860
	262	263	159	131	-	-	19,390	18,407
	-	-	108	97	-	-	145	142
	262	263	267	228	-	-	19,535	18,549
	\$ 1,911	\$ 1,578	\$ 563	\$ 531	\$ 51	\$ 65	\$25,778	\$ 24,409

# PRINCIPAL FINANCIAL STATEMENTS

## CONSOLIDATING STATEMENTS OF CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002  
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND		
	2003	2002	2003	2002	
<b>BEGINNING BALANCE OF NET POSITION:</b>					
Cumulative Results of Operations	\$14,820	\$ 13,932	\$ 3,193	\$ 3,006	
Unexpended Appropriations	45	-	-	-	
<b>Net Position Beginning Balance</b>	<b>14,865</b>	<b>13,932</b>	<b>3,193</b>	<b>3,006</b>	
Prior Period Adjustment					
Adjusted Net Position Beginning Balance					
<b>RESULTS OF OPERATIONS:</b>					
Net Income From (Cost of) Operations	668	454	145	156	
Appropriations Used (Note 1-C)	381	385	-	-	
Non-Exchange Revenue (Notes 1-C, 1-G)	-	-	-	-	
Imputed Financing Provided By Others	53	52	24	22	
Transfer of Earnings Paid and Payable to U.S. Treasury	-	-	-	-	
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	(323)	(2)	9	9	
Receipts Paid and Reclassified as Payable From (To) the Land and Water Conservation Fund	-	-	-	-	
Other	-	(1)	(1)	-	
<b>Net Results of Operations</b>	<b>779</b>	<b>888</b>	<b>177</b>	<b>187</b>	
<b>CHANGES IN UNEXPENDED APPROPRIATIONS:</b>					
Appropriations Received	373	433	-	-	
Appropriations Used	(381)	(385)	-	-	
Appropriations Transferred From Other Agencies or Funds	-	(3)	-	-	
Other	-	-	-	-	
<b>Net Change in Unexpended Appropriations</b>	<b>(8)</b>	<b>45</b>	<b>-</b>	<b>-</b>	
<b>ENDING BALANCE OF NET POSITION</b>					
Cumulative Results of Operations	15,599	14,820	3,370	3,193	
Unexpended Appropriations	37	45	-	-	
<b>Net Position Ending Balance</b>	<b>\$15,636</b>	<b>\$ 14,865</b>	<b>\$ 3,370</b>	<b>\$ 3,193</b>	

The accompanying notes are an integral part of these statements.

	INFORMATION TECHNOLOGY FUND		OTHER FUNDS		LESS INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$ 263	\$ 229	\$ 131	\$ 13	\$ -	\$ -	\$18,407	\$ 17,180
	-	-	97	92	-	-	142	92
	263	229	228	105	-	-	18,549	17,272
	(13)	22	(880)	(191)	(27)	(26)	(53)	467
	-	-	839	185	-	-	1,220	570
	-	-	21	29	-	-	21	29
	13	12	46	26	27	26	109	86
	-	-	(5)	(2)	-	-	(5)	(2)
	-	-	5	4	-	-	(309)	11
	-	-	3	67	-	-	3	67
	(1)	-	(1)	-	-	-	(3)	(1)
	(1)	34	28	118	-	-	983	1,227
	-	-	872	194	-	-	1,245	627
	-	-	(839)	(185)	-	-	(1,220)	(570)
	-	-	(23)	(4)	-	-	(23)	(7)
	-	-	1	-	-	-	1	-
	-	-	11	5	-	-	3	50
	262	263	159	131	-	-	19,390	18,407
	-	-	108	97	-	-	145	142
	\$ 262	\$ 263	\$ 267	\$ 228	\$ -	\$ -	\$19,535	\$ 18,549

# PRINCIPAL FINANCIAL STATEMENTS

## COMBINING STATEMENTS OF BUDGETARY RESOURCES

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002  
(Dollars in Millions)

	FEDERAL BUILDINGS FUND	
	2003	2002
<b>BUDGETARY RESOURCES:</b>		
Budget Authority	\$ 110	\$ 430
Unobligated Balance, Net - Beginning Balance	3,812	3,429
Spending Authority:		
Earned Income	7,985	7,622
Change in Unfilled Customer Orders	(52)	144
Prior Year Recoveries	139	169
Resources Temporarily Not Available	(481)	(530)
Capital Transfers	(82)	(72)
<b>Total Budgetary Resources</b>	<b>11,431</b>	<b>11,192</b>
<b>STATUS OF BUDGETARY RESOURCES:</b>		
Obligations Incurred	7,990	7,901
Unobligated Balance - Available	2,725	2,731
Unobligated Balance - Not Available	716	560
<b>Total Budgetary Resources</b>	<b>11,431</b>	<b>11,192</b>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:</b>		
Obligations Incurred	7,990	7,901
Less: Spending Authority from Offsetting Collections and Adjustments	(8,072)	(7,935)
Obligated Balance, Net - Beginning Balance (Note 1-L)	869	832
Less: Obligated Balance - Ending:		
Accounts Receivable	239	266
Unfilled Customer Orders	1,706	1,757
Undelivered Orders	(2,177)	(2,158)
Accounts Payable	(902)	(904)
<b>Outlays</b>	<b>(347)</b>	<b>(241)</b>
<b>COMPONENTS OF OUTLAYS:</b>		
Disbursements	7,657	7,412
Collections	(8,004)	(7,653)
Less: Offsetting Receipts	-	-
<b>Net Outlays (Note 1-L)</b>	<b>\$ (347)</b>	<b>\$ (241)</b>

The accompanying notes are an integral part of these statements.

	GENERAL SUPPLY FUND		INFORMATION TECHNOLOGY FUND		OTHER FUNDS		GSA CONSOLIDATED TOTALS	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$ -	\$ -	\$ -	\$ -	\$ 899	\$ 221	\$ 1,009	\$ 651
	535	537	796	1,633	94	90	5,237	5,689
	3,972	3,661	8,726	7,120	360	322	21,043	18,725
	445	98	1,121	602	(7)	17	1,507	861
	29	9	1,249	393	25	9	1,442	580
	-	-	-	-	-	-	(481)	(530)
	-	-	-	-	(12)	(14)	(94)	(86)
	4,981	4,305	11,892	9,748	1,359	645	29,663	25,890
	4,446	3,770	10,116	8,952	1,251	544	23,803	21,167
	535	535	1,776	796	73	81	5,109	4,143
	-	-	-	-	35	20	751	580
	4,981	4,305	11,892	9,748	1,359	645	29,663	25,890
	4,446	3,770	10,116	8,952	1,251	544	23,803	21,167
	(4,446)	(3,768)	(11,096)	(8,115)	(378)	(348)	(23,992)	(20,166)
	(106)	(172)	(571)	(1,558)	135	118	327	(780)
	366	303	1,456	1,248	5	4	2,066	1,821
	655	228	6,078	4,969	3	1	8,442	6,955
	(737)	(233)	(4,648)	(4,519)	(126)	(110)	(7,688)	(7,020)
	(207)	(192)	(1,424)	(1,127)	(35)	(41)	(2,568)	(2,264)
	(29)	(64)	(89)	(150)	855	168	390	(287)
	3,899	3,605	8,428	7,120	1,206	509	21,190	18,646
	(3,928)	(3,669)	(8,517)	(7,270)	(351)	(341)	(20,800)	(18,933)
	-	-	-	-	(2)	(23)	(2)	(23)
	\$ (29)	\$ (64)	\$ (89)	\$ (150)	\$ 853	\$ 145	\$ 388	\$ (310)

# PRINCIPAL FINANCIAL STATEMENTS

## CONSOLIDATING STATEMENTS OF FINANCING

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002  
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND		
	2003	2002	2003	2002	
<b>RESOURCES USED TO FINANCE ACTIVITIES:</b>					
Obligations Incurred	\$ 7,990	\$ 7,901	\$ 4,446	\$ 3,770	
Less: Spending Authority From Offsetting Collections and Adjustments	(8,072)	(7,935)	(4,446)	(3,768)	
Financing Imputed for Cost Subsidies	53	52	24	22	
Other	428	(1)	(9)	2	
<b>Total Resources Used to Finance Activities</b>	<b>399</b>	<b>17</b>	<b>15</b>	<b>26</b>	
<b>RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS:</b>					
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	(19)	(274)	(504)	(151)	
Increase/(Decrease) in Unfilled Customer Orders	(52)	144	426	98	
Costs Capitalized on the Balance Sheet	(1,503)	(1,240)	(689)	(717)	
Financing Sources Funding Prior Year Costs	(39)	(30)	-	-	
Other	(488)	(42)	(20)	(14)	
<b>Total Resources Used That Are Not Part of the Net Cost of Operations</b>	<b>(2,101)</b>	<b>(1,442)</b>	<b>(787)</b>	<b>(784)</b>	
<b>COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS:</b>					
Depreciation and Amortization	1,063	908	363	332	
Net Book Value of Property Sold	-	-	262	263	
Other	(29)	55	-	8	
<b>Total Costs Financed by Resources Received in Prior Periods</b>	<b>1,034</b>	<b>963</b>	<b>625</b>	<b>603</b>	
<b>COSTS REQUIRING RESOURCES IN FUTURE PERIODS:</b>					
Unfunded Capitalized Costs	2	14	-	-	
Unfunded Current Expenses	(2)	(6)	2	(1)	
<b>Total Costs Requiring Resources in Future Periods</b>	<b>-</b>	<b>8</b>	<b>2</b>	<b>(1)</b>	
<b>Net (Income From) Cost of Operations</b>	<b>\$ (668)</b>	<b>\$ (454)</b>	<b>\$ (145)</b>	<b>\$ (156)</b>	

The accompanying notes are an integral part of these statements.

	INFORMATION TECHNOLOGY FUND		OTHER FUNDS		LESS INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$10,116	\$ 8,952	\$ 1,251	\$ 544	\$ -	\$ -	\$23,803	\$ 21,167
	(11,096)	(8,115)	(378)	(348)	-	-	(23,992)	(20,166)
	13	12	46	26	27	26	109	86
	(9)	2	(4)	(18)	-	-	406	(15)
	(976)	851	915	204	27	26	326	1,072
	(129)	(1,465)	(16)	(14)	-	-	(668)	(1,904)
	1,121	602	(7)	17	-	-	1,488	861
	(25)	(26)	(6)	(28)	-	-	(2,223)	(2,011)
	-	-	-	(11)	-	-	(39)	(41)
	3	(6)	(5)	31	-	-	(510)	(31)
	970	(895)	(34)	(5)	-	-	(1,952)	(3,126)
	24	22	10	5	-	-	1,460	1,267
	-	-	-	-	-	-	262	263
	(5)	-	-	-	-	-	(34)	63
	19	22	10	5	-	-	1,688	1,593
	-	-	-	-	-	-	2	14
	-	-	(11)	(13)	-	-	(11)	(20)
	-	-	(11)	(13)	-	-	(9)	(6)
	\$ 13	\$ (22)	\$ 880	\$ 191	\$ 27	\$ 26	\$ 53	\$ (467)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED  
SEPTEMBER 30, 2003 AND 2002

## ORGANIZATION

The U.S. General Services Administration (GSA) was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended. The U.S. Congress enacted this legislation to provide for the Federal Government an economic and efficient system for the procurement and operation of buildings, procurement and distribution of general supplies, acquisition and management of a motor vehicle fleet, management of automated data processing resources, and management of telecommunications programs.

The Administrator of General Services, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GSA. GSA carries out its responsibilities through the operation of several appropriated and revolving funds.

### 1 SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

For its principal financial statements, GSA uses consolidating and combining formats to display its three largest revolving funds: the Federal Buildings Fund (FBF), General Supply Fund (GSF), and Information Technology Fund (ITF). All other funds have been combined under Other Funds.

The accompanying financial statements of GSA include the accounts of all funds under GSA control, which have been established and maintained to account for resources under the control of GSA management. The entities included in the Other Funds category are described below, together with a discussion of the different fund types.

**REVOLVING FUNDS** are accounts established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by the U.S. Congress. The revolving funds in the Other Funds category consist of the following:

- *Columbia Hospital For Women Direct Loan Financing Account*
- *Federal Consumer Information Center Fund*
- *Working Capital Fund*

**GENERAL FUNDS** are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. GSA manages seven General Fund accounts of which three are funded by current year appropriations, two by no-year appropriations, and two cannot incur new obligations. The general funds included in the Other Funds category are as follows:

- *Allowances and Office Staff for Former Presidents*
- *Electronic Government Fund*
- *Excess and Surplus Real and Related Personal Property Holding Account*
- *Expenses, Presidential Transition*
- *Election Reform Payments*
- *Election Reform Reimbursements*
- *Office of Inspector General*
- *Operating Expenses, General Services Administration*
- *Policy and Citizen Services Fund*
- *Real Property Relocation*

**SPECIAL FUNDS** are accounts established for receipts earmarked by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property and for funding of the Transportation Audits Program. GSA's special funds consist of the following:

- *Expenses, Disposal of Real and Related Personal Property*
- *Expenses, Transportation Audits*
- *Operating Expenses, Disposal of Real and Related Personal Property*
- *Other Receipts, Surplus Real and Related Personal Property*
- *Receipts of Rent, Leases and Lease Payments for Government Owned Real Property*
- *Receipts, Transportation Audits*
- *Transfer of Surplus Real and Related Personal Property*
- *General Fund Proprietary Receipts, Not Otherwise Classified, All Other*
- *Proceeds from Sale of Surplus Property*
- *Reserve for Purchase Contract Projects*
- *Suspense*
- *Suspense, Transportation Audits*
- *Unconditional Gifts of Real, Personal or Other Property*
- *Withheld State and Local Taxes*

## **B. Basis of Accounting**

**MISCELLANEOUS RECEIPT AND DEPOSIT FUND** accounts are considered non-entity funds since GSA management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of GSA where, by law, such monies may not be deposited into funds under GSA management control. The U.S. Department of the Treasury automatically transfers all cash balances in these receipt accounts to general funds of the Treasury at the end of each fiscal year. Deposit Fund accounts hold monies outside the budget. Accordingly, their transactions do not affect budget surplus or deficit. These accounts include (1) deposits received for which GSA is acting as an agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods and services received, and (4) monies whose distribution awaits a legal determination or investigation. The receipt and deposit funds in the Other Funds category consist of the following:

- *Budget Clearing Account*
- *Interest Receipts from Columbia Hospital for Women Direct Loan Financing Account*
- *Credits for Withholding and Contributions, Civil Service Retirement and Disability Fund*
- *Employees' Payroll Allotment Account, U.S. Savings Bonds*
- *Fines, Penalties, and Forfeitures, Not Otherwise Classified*
- *Forfeitures of Unclaimed Money and Property*
- *General Fund Proprietary Interest, Not Otherwise Classified*

The principal financial statements are prepared in accordance with generally accepted accounting principles as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and OMB Bulletin 01-09, "Form and Content of Agency Financial Statements." The American Institute of Certified Public Accountant's (AICPA) Statement on Auditing Standards No. 91, *Federal GAAP Hierarchy*, established a hierarchy of GAAP for Federal financial statements as follows:

- A.** Federal Accounting Standards Advisory Board (FASAB) Statements and Interpretations plus AICPA and Financial Accounting Standards Board (FASB) pronouncements if made applicable to Federal government entities by a FASAB Statement or Interpretation;
- B.** FASAB Technical Bulletins and the following pronouncements if specifically made applicable to Federal government entities by the AICPA and cleared by the FASAB: AICPA Industry Audit and Accounting Guides and AICPA Statements of Position;
- C.** AICPA Accounting Standards Executive Committee (ACSEC) Practice Bulletins if specifically made applicable to Federal government entities and cleared by the FASAB and Technical Releases of the Accounting and Auditing Policy Committee of the FASAB; and
- D.** Implementation guides published by the FASAB staff and practices that are widely recognized and prevalent in the Federal government.

## NOTES TO THE FINANCIAL STATEMENTS

GSA's financial statements are prepared in accordance with formats prescribed in OMB Bulletin 01-09. These formats are considerably different from business-type formats. The Statements of Net Cost present the operating results of GSA by major programs and responsibilities. The Balance Sheets present the financial position of GSA using a format clearly segregating intra-governmental balances. The Statements of Changes in Net Position display the changes in equity accounts. The Statements of Budgetary Resources present the sources, status, and uses of GSA's budgetary resources. Lastly, the Statements of Financing bridge the gap between the uses of budgetary resources with the operating results reported on the Statements of Net Cost.

GSA did not perform all reconciliations with trading partners required by OMB Bulletin 01-09, which requires agencies to reconcile intra-governmental income, expense, assets and liabilities, with all of its trading partners. GSA limited its reconciliations to fiduciary transactions activity.

Certain prior year balances have been reclassified to conform with the current year's presentation.

On the Statements of Net Cost, Balance Sheets, Statements of Changes in Net Position, Statements of Financing, Supplemental Statements of Operations and Supplemental Statements of Cash Flows, all significant intra-agency balances and transactions have been eliminated in consolidation. No such eliminations have been made on the Combining Statements of Budgetary Resources.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### **C. Revenue Recognition and Appropriations Used**

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered. In the FBF, rent revenues are earned based on occupancy agreements with customers, as space and services are provided. Revenue under nonrecurring reimbursable building repair and alteration projects is recognized under the percentage-of-completion method. In the GSF, supply revenues are recognized as goods are provided to customers, and motor vehicle revenues are recognized based on rental agreements over the period vehicles are dispatched. In the ITF, telecommunications service revenues are generally recognized based on customer usage or on fixed line rates. IT Solutions revenues are earned when goods or services are provided or as reimbursable project costs are incurred. In the Working Capital Fund (WCF), revenues are generally recognized as general management and administrative services are provided to the service components of GSA and to external customers. Such WCF revenues are earned in accordance with agreements that recover the direct cost and an allocation of indirect costs from the components of GSA receiving those services.

Non-Exchange revenues are recognized on an accrual basis on the Statements of Changes in Net Position for sales of surplus real property, reimbursements due from the audit of payments to transportation carriers, and other miscellaneous items resulting from GSA's operations where ultimate collections must be deposited in miscellaneous receipt accounts of the Treasury. Non-exchange revenues are reported net of associated bad debt expense on uncollectable accounts.

Appropriations for General Fund and Special Fund activities are recorded as a financing source on the Consolidating Statements of Changes in Net Position when expended. Unexpended appropriations are reported as an element of Net Position on the Balance Sheets.

#### D. Funds with U.S. Treasury

This total represents all unexpended balances for GSA's accounts with the U.S. Treasury. Amounts in Funds with U.S. Treasury are based on the balances recorded by GSA in its core accounting system. Differences existing between the total balance reported by GSA that were greater (less) than those reported by the Department of the Treasury at September 30, 2003, and 2002 were as follows (*Dollars in Millions*):

	2003	2002
Federal Buildings Fund	\$ (1)	\$ 20
General Supply Fund	(6)	15
Information Technology Fund	(12)	(2)
Other Funds	26	-
Total	\$ 7	\$ 33

Funds with U.S. Treasury are primarily components of revolving funds such as the FBF, GSF, and ITF. The fund balances in the Other Funds category contains amounts in the following fund types:

	2003	2002
Revolving Funds	\$ 124	\$ 117
Appropriated and General Funds	154	128
Special Funds	143	147
Deposit Funds	41	27
Miscellaneous Receipt Funds	10	17
Total Other Funds	\$ 472	\$ 436

Included in GSA's accounts are certain amounts that may be transferred to either the U.S. Treasury or the Land and Water Conservation Fund (see Note 1-G). These amounts, related to the Transportation Audits program and surplus real property disposals, are subject to transfer subsequent to GSA's determination of the internal working capital needs of these programs. Such amounts totaled \$124 million and \$129 million at September 30, 2003 and 2002, respectively, of which \$25 million and \$37 million were recorded as liabilities in the Consolidating Balance Sheets. At September 30, 2003 and 2002, the balance of Funds with

Treasury that were no longer available for expenditure totaled \$10 million and \$3 million, respectively. Of these amounts, substantially all balances were transferred back to the Special Fund Receipt Accounts from which they were appropriated, with minor amounts returned to Treasury.

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) Number 1, *Accounting for Selected Assets and Liabilities*, the following information is provided to further identify amounts in Funds with U.S. Treasury as of September 30, 2003, against which obligations have been made, and, for unobligated balances, to identify amounts budgetarily available for future expenditures and those only available to liquidate prior obligations. Unobligated balances presented below may not equal related amounts reported on the Combining Statements of Budgetary Resources (CSBR), particularly for Other Funds, as this schedule presents elements of Funds with U.S. Treasury, which excludes other authorities reportable in the CSBR and includes balances in Funds that are not reportable in the CSBR (*Dollars in Millions*):

	OBLIGATED BALANCE, NET	UNOBLIGATED BALANCE		TOTAL
		AVAILABLE	UNAVAILABLE	
<b>FY 2003</b>				
FBF	\$ 999	\$ 2,658	\$ 1,197	\$ 4,854
GSF	(77)	535	-	458
ITF	(1,461)	1,776	-	315
Others	151	74	247	472
Total	\$ (388)	\$ 5,043	\$ 1,444	\$ 6,099
<b>FY 2002</b>				
FBF	\$ 1,027	\$ 2,522	\$ 1,090	\$ 4,639
GSF	(106)	534	-	428
ITF	(571)	797	-	226
Others	146	81	209	436
Total	\$ 496	\$ 3,934	\$ 1,299	\$ 5,729

## NOTES TO THE FINANCIAL STATEMENTS

### ***E. Inventories***

Operating supplies, which are consumed in operations, are valued at the lower of cost, determined principally on the first-in, first-out method, or market. Inventories held for sale to other Federal agencies consist primarily of General Supply Fund inventories, which are valued at the lower of cost, generally determined on a moving average basis, or market. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan.

In the Federal Buildings Fund, inventory balances consist of operating supplies. In all other instances, inventory balances reported are inventories held for sale. In the General Supply Fund, \$1 million of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another Federal agency, sold, or donated to state or local governments.

### ***F. Property and Equipment (See Note 8)***

Property and equipment purchases and additions in fiscal years 2003 and 2002 of \$10,000 or more and having a useful life of 2 or more years are capitalized and valued at cost. Property and equipment transferred to GSA from other Federal agencies on the date GSA was established is stated at the transfer value, which approximates historical cost. Subsequent thereto, equipment transferred to GSA is stated at net book value and surplus real and related personal property transferred to GSA is stated at the lower of net book value or appraised value. Expenditures for major additions, replacements and alterations are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of repair, alteration and of leasehold improvements performed by GSA but financed by other agencies is not capitalized in GSA's financial statements as such amounts are transferred to the other agencies upon completion of the project. Substantially all land, buildings and leasehold improvements are leased to other Federal

agencies under short-term cancellable agreements. Generally, these agencies are billed for leased space at rent based upon commercial rates for comparable space.

Depreciation and amortization of property and equipment are calculated on a straight-line basis over their initial or remaining useful lives. Leasehold improvements are amortized over the lesser of their useful lives or the unexpired lease term. Buildings capitalized by the Federal Buildings Fund at its inception in 1974 were assigned remaining useful lives of 30 years. Prior to 1974, no depreciation was recorded by GSA. Upon completion, construction costs are capitalized in the Land and Buildings accounts. Buildings acquired under capital lease agreements are also depreciated over 30 years. Major and minor building renovation projects carry estimated useful lives of 20 years, and 10 years, respectively. In fiscal year 2003, GSA recorded capitalized interest costs of \$451,000 in the Construction in Process account associated with debt provided by the U.S. Treasury's Federal Financing Bank, as discussed in Note 3. Interest capitalized in fiscal year 2002 amounted to \$681,000.

Telecommunications equipment and automated data processing equipment are used in operations to perform services for other Federal agencies for which billings are rendered. Most of the assets comprising other equipment are used internally by GSA. Telecommunications and other equipment is depreciated over periods generally ranging from 3 to 10 years. Automated data processing equipment is depreciated over periods generally ranging from 3 to 5 years.

Motor vehicles are generally depreciated over 4 to 6 years.

In fiscal year 2001, GSA implemented FASAB SFFAS No. 10, *Accounting for Internal Use Software*. This standard requires capitalization of software development costs incurred for systems having a useful life of 2 years or more. With implementation of this standard, GSA adopted minimum dollar thresholds per system that would be required before capitalization would be warranted. For the Federal Buildings Fund, this minimum threshold is \$1 million. For all other funds, it is \$250,000.

### ***G. Receipts from Disposal of Property and Equipment***

GSA acts as a disposal agent for surplus Federal real and personal property. In some cases, public law entitles the owning agency to the sales proceeds, net of disposal expenses incurred by GSA. Proceeds from the disposal of equipment are generally retained by GSA to replace equipment. Under GSA's legislative authorities, the gross proceeds from some sales are deposited in GSA's Special Fund receipt accounts and recorded as Non-Exchange Revenues in the Consolidating Statements of Changes in Net Position. A portion of these proceeds is subsequently transferred to a Special Fund to finance expenses incurred in disposing of surplus property. The remainder is periodically accumulated and transferred, by law, to the Land and Water Conservation Fund administered by the U.S. Department of the Interior. Transfers in fiscal years 2003 and 2002 were \$3 million and \$2 million, respectively.

### ***H. Annual, Sick, and Other Types of Leave***

Annual leave is accrued as it is earned and the accrual is relieved as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Sick leave and other types of nonvested leave are expensed as taken.

### ***I. Supplemental Consolidating Statements of Cash Flows (Unaudited)***

These statements identify cash receipts and payments and classify them into operating, financing and investing activities. This additional disclosure of information is intended to help assess the ability to generate funds from current operations, to identify financing acquired from outside sources and to identify the major non-operating (investing) uses of funds. Cash, for the purposes of these schedules, equals Funds with U.S. Treasury as defined in Note 1-D.

### ***J. Workers' Compensation Benefits***

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL) which initially pays valid claims and subsequently seeks reimbursement from the Federal agencies employing the claimants. The DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' compensation and medical and miscellaneous costs for approved compensation cases. The present value of these estimates at the end of fiscal year 2003 was calculated by DOL using a discount rate for 2004 of 3.84 percent and in 2004 and thereafter of 4.85 percent. At the end of fiscal year 2002, the discount rate used for 2003 and thereafter was 5.20 percent. The actuarial liability recorded by GSA totaled \$174 million and \$192 million as of September 30, 2003 and 2002, respectively.

### ***K. Statements of Net Cost***

Revenues reported by GSA's funds on the Statements of Net Cost are primarily generated from intra-governmental sales of goods and services. Each fund has established rate-setting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that the funds will pay to provide such goods and services and to provide capital maintenance. In accordance with the governing laws, rates are generally not designed to recover costs covered by other funds or entities of the U.S. Government, such as for post-employment and other inter-entity costs. Revenues from non-Federal entities make up an immaterial portion of GSA's total sales. Accordingly, where not otherwise governed by law, unique rates for non-Federal customers have generally not been established.

# NOTES TO THE FINANCIAL STATEMENTS

## L. Statements of Budgetary Resources

The Combining Statements of Budgetary Resources (CSBR) present GSA's budgetary results in accordance with reporting requirements prescribed in OMB Circular No. A-11, Preparation, Submission and Execution of the Budget, which identifies budgetary resources available for spending, the status of those resources, and the relationship between obligated balances and outlays (see Note 12). The basis of the CSBR is data reported to the U.S. Treasury on the Statements of Budget Execution and Budgetary Resources (SF 133's). However, as the CSBR is being developed, items may be identified that require adjustment to the data originally submitted on the SF 133's. Generally, such items are identified after the deadlines for reporting to the U.S. Treasury and reflect reclassifications of balances to reflect the proper status of obligations or budgetary resources. For fiscal year 2003, the most significant of these items were due to timing/cutoff differences. Adjustments were recorded in the ITF resulted in increases to undelivered orders by \$54 million, decreases to unfilled customer orders of \$35 million, and decreases to the unobligated balance by \$95 million. Re-estimates were required in the FBF, the most significant of which required reclassifications to increase accounts payable by \$55 million and decrease undelivered orders by \$89 million. In the GSF, errors in original estimates lead to significant adjustments which increased undelivered orders by \$362 million, unfilled customer orders by \$315 million, spending authority from reimbursements by \$359 million and accounts receivable by \$43 million.

## 2 LEASING ARRANGEMENTS

As of September 30, 2003, GSA was committed to various noncancellable operating leases primarily covering administrative office space and storage facilities maintained by the Federal Buildings Fund (FBF). Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options.

The following are schedules of future minimum rental payments required under leases that have initial or remaining noncancellable lease terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (*Dollars in Millions*):

FISCAL YEAR	TOTAL
<b>OPERATING LEASES</b>	
2004	\$ 2,920
2005	2,609
2006	2,324
2007	2,069
2008	1,795
2009 and thereafter	8,222
Total minimum lease payments	<u>\$ 19,939</u>

<b>CAPITAL LEASES</b>	
2004	\$ 27
2005	28
2006	28
2007	28
2008	28
2009 and thereafter	340
Total minimum lease payments	479
Less: Amounts representing Interest	199
Executory Costs	3
Total obligations under capital leases	<u>\$ 277</u>

Substantially all leased space maintained by the Federal Buildings Fund is sublet to other Federal agencies at rent charges based upon approximate commercial rates for comparable space. The agreements covering the sublease

arrangements allow customer agencies, among other things, to terminate the sublease at any time. In most cases, however, GSA believes the subleases will continue without interruption. Rental income under subleasing agreements approximated \$3.6 billion and \$3.4 billion for the fiscal years ended September 30, 2003 and 2002, respectively. Rent expense under all operating leases, including short-term non-cancelable leases, was approximately \$3.4 billion and \$3.2 billion in fiscal years 2003 and 2002, respectively.

The Consolidating Balance Sheets as of September 30, 2003, and 2002, include capital lease assets of \$319 million for buildings. Aggregate accumulated amortization on such structures totaled \$75 million and \$64 million in those years, respectively.

For substantially all of its leased property, GSA expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

### 3 DEBT FINANCING

#### A. Federal Buildings Fund

##### PURCHASE CONTRACT AND LEASE PURCHASE DEBT

Purchase contract debt consists of two distinct financing methods employed to finance construction of Federal buildings. The Dual System provided monies via publicly issued Participation Certificates and Participation Certificates of the Department of the Treasury's Federal Financing Bank (FFB). The Package System originally consisted of mortgage notes where the same party arranged construction and financing. GSA is not authorized to obtain any additional purchase contract debt without congressional approval.

In fiscal years 1993 through 1995, GSA refinanced all outstanding publicly issued Participation Certificates and Package System mortgage notes with the FFB. GSA now has title to all purchase contract buildings.

Starting in fiscal year 1991, GSA entered into several agreements to fund the purchase of land and construction of buildings under the Federal Buildings Fund (FBF) lease purchase authority. Under these agreements, the FFB borrows monies through the FFB or executes lease-to-own contracts to finance the lease purchases. The program authorizes total expenditures of \$1,945 million for 11 projects. In fiscal years 2003 and 2002, the FFB made advance payments on the behalf of GSA totaling \$20 million and \$8 million, respectively. As of September 30, 2003 and 2002, \$194 million and \$214 million, respectively, of borrowing authority under the lease purchase program remained available for obligation.

Resources to retire debt are obtained from annual revenues generated by the FFB. Aggregate debt maturities are as follows (dollars in millions): 2004 - \$56; 2005 - \$65; 2006 - \$35; 2007 - \$38; 2008 - \$40; 2009 and beyond - \$1,251.

#### B. Pennsylvania Avenue Debt

The former Pennsylvania Avenue Development Corporation (PADC) originally received authority to borrow from the FFB to finance construction of the Ronald Reagan Building (RRB) in Washington, D.C., with a project budget of \$738 million. Effective March 31, 1996, the PADC was dissolved, with portions of its functions, assets and liabilities being transferred to GSA, including the RRB.

Subsequent legislation consolidated GSA's portion of these assets and liabilities into the FFB, in which the cost and associated debt for the RRB is now recorded.

In fiscal years 2003 and 2002, the FFB made payments of \$1 million each year, in advance payments on the behalf of GSA for this project.

Aggregate maturities on debt related to the RRB are as follows (dollars in millions): 2004 - \$14; 2005 - \$14; 2006 - \$16; 2007 - \$16; 2008 - \$18; 2009 and beyond - \$668.

# NOTES TO THE FINANCIAL STATEMENTS

## C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements in the Federal Buildings Fund at September 30, 2003 and 2002 were as follows  
(Dollars in Millions):

	2003	2002
<b>PURCHASE CONTRACT DEBT:</b>		
<i>Dual System:</i>		
Participation certificates held by the Federal Financing Bank, due at various dates from June 26, 2004, through November 15, 2004, at interest rates ranging from 8.472 percent to 9.162 percent.	\$ 28	\$ 79
<b>PACKAGE SYSTEM:</b>		
Mortgage loans held by the FFB due at various dates from March 25, 2004, through March 25, 2005, at interest rates ranging from 6.399 percent to 7.939 percent.	3	9
<b>LEASE PURCHASE DEBT:</b>		
Mortgage loans and construction advances held by the FFB, due at various dates from August 1, 2005, through January 30, 2031, at interest rates ranging from 2.296 percent to 8.561 percent	1,454	1,462
<b>PENNSYLVANIA AVENUE DEBT:</b>		
Ronald Reagan Building, mortgage loans due November 2, 2026, at interest rates ranging from 5.073 percent to 8.323 percent	746	758
<b>TOTAL GSA DEBT</b>	<b>\$ 2,231</b>	<b>\$ 2,308</b>

## 4 EMPLOYEE BENEFIT PLANS

### A. Background

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System and the Federal Employees Retirement System and makes the necessary payroll withholdings from them, GSA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of the Office of Personnel Management (OPM). Reporting of health care benefits for retired employees is also the direct responsibility of OPM.

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) Number 5, *Accounting for Liabilities of the Federal Government*, GSA recognizes the normal cost of pension programs and the normal cost of other post-employment health and life insurance benefits, as defined in that standard, on the Consolidating Statements of Net Cost. While these costs will ultimately be funded out of direct appropriations made to OPM and do not require funding by GSA activities, they are an element of government-wide costs incurred as a result of GSA's operations.

### B. Civil Service Retirement System

At the end of fiscal year 2003, the Civil Service Retirement System (CSRS), a defined benefit plan, covered 38.3 percent of GSA employees. Total GSA (employer) contributions (9.01 percent of base pay for law enforcement employees, and 8.51 percent for all others) to CSRS for all employees in fiscal years 2003 and 2002 amounted to \$28 million and \$34 million, respectively.

### C. Federal Employees Retirement System

On January 1, 1987, the Federal Employees Retirement System (FERS), a defined contribution plan, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2003, 61.1 percent of GSA's employees were covered under FERS. One of the primary differences between FERS and CSRS is that FERS offers automatic and matching contributions into the Federal Government's Thrift Savings Plan (TSP) for each employee. Under CSRS, employees can invest up to 5 percent of their base pay in the TSP. Employees under FERS can invest up to 11 percent of base pay, plus GSA will automatically contribute 1 percent of base pay and then match employee contributions up to an additional 4 percent of base pay. During fiscal years 2003 and 2002, GSA (employer) contributions to FERS (23.3 percent of base pay for law enforcement employees and 10.7 percent for all others) totaled \$53 million and \$50 million, respectively. Additional GSA contributions to the TSP totaled \$21 million and \$20 million in those years, respectively.

### D. Social Security System

GSA also makes matching contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, GSA contributed matching amounts of 6.2 percent of gross pay (up to \$87,000) to SSA's Old-Age, Survivors and Disability Insurance (OASDI) program in calendar year 2003. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2003. Only 0.6 percent of GSA's employees are covered exclusively by these programs. Payments to these programs in fiscal years 2003 and 2002 amounted to \$47 million and \$45 million, respectively.

#### SCHEDULE OF UNFUNDED BENEFIT COSTS

Amounts recorded in fiscal year 2003, and 2002, in accordance with SFFAS Number 5 for post-employment benefits are as follows (*Dollars in Millions*):

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
<b>2003</b>			
FBF	\$ 16	\$ 22	\$ 38
GSF	8	9	17
ITF	4	5	9
Other Funds	8	8	16
Total	\$ 36	\$ 44	\$ 80
<b>2002</b>			
FBF	\$ 15	\$ 22	\$ 37
GSF	7	9	16
ITF	4	4	8
Other Funds	7	7	14
Total	\$ 33	\$ 42	\$ 75

# NOTES TO THE FINANCIAL STATEMENTS

## 5 STATEMENTS OF CHANGES IN NET POSITION

### A. Cumulative Results of Operations

Cumulative results of operations for Revolving Funds include the net cost of operations since their inception, reduced by funds returned to the U.S. Treasury, by congressional rescissions and by transfers to other Federal agencies, in addition to balances representing invested capital. Invested capital includes amounts provided to fund certain GSA assets, principally land, buildings, construction in process and equipment, as well as appropriated capital provided as the corpus of a fund (generally to meet operating working capital needs).

GSA's Federal Buildings Fund (FBF), General Supply Fund (GSF), Information Technology Fund (ITF), Working Capital Fund (WCF) and Federal Consumer Information Center Fund (FCICF) have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the GSF, earnings are retained to cover the cost of replacing the motor vehicle fleet and supply inventory. The ITF retains cumulative results to provide financing for major systems acquisitions and improvements, contract conversion costs, major contingencies, and to maintain sufficient working capital. The WCF retains earnings to finance future operations. The FCICF retains cumulative results to finance future operations, subject to appropriation by Congress.

### B. Unexpended Appropriations

Unexpended Appropriations consist of unobligated balances and undelivered orders, net of unfilled customer orders. Undelivered orders are orders placed by GSA with vendors for goods and services that have not been received. Unfilled customer orders are reimbursable orders placed with GSA by other agencies, other GSA funds or from the public where GSA has yet to provide the good or service requested. At September 30, 2003, and 2002, balances reported as unexpended appropriations were as follows (*Dollars in Millions*):

	2003	2002
Unobligated Balances:		
Available	\$ 59	\$ 77
Unavailable	20	7
Undelivered Orders, Net	66	58
Total Unexpended Appropriations	\$ 145	\$ 142

## 6 COMMITMENTS AND CONTINGENCIES

### A. Commitments

In addition to future lease commitments discussed in Note 2, GSA is committed under obligations for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities amounted to \$7.7 billion in fiscal year 2003 and \$7.0 billion in 2002.

### B. Contingencies

GSA is a party in various administrative proceedings, legal actions, environmental suits and claims brought by or against it. In the opinion of GSA management and legal counsel, the ultimate resolution of these proceedings, actions and claims will not materially affect the financial position or results of operations of GSA.

**CONTINGENCIES COVERED BY GSA FUNDS**

As of September 30, 2003 and 2002, GSA recorded liabilities in total of \$99 million and \$102 million, respectively, for pending and threatened legal matters for which, in the opinion of GSA management and legal counsel, GSA funds will probably incur losses. These balances are reported as Other Liabilities on the Consolidating Balance Sheets.

In addition, GSA had another \$122 million and \$220 million in contingencies at September 30, 2003 and 2002, respectively, where it is reasonably possible, but not probable, that GSA funds will incur some cost. Accordingly, no balances have been recorded in the financial statements for these contingencies.

In most cases, legal matters, which directly involve GSA, relate to contractual arrangements GSA has entered into either for property and services it has obtained or procured on behalf of other Federal agencies. The costs of administering, litigating and resolving these actions are generally borne by GSA unless it can recover the cost from another Federal agency. Certain legal matters in which GSA may be named party are administered and, in some instances, litigated by other Federal agencies. Amounts to be paid under any decision, settlement, or award pertaining thereto are sometimes funded by those agencies.

**CONTINGENCIES COVERED BY THE JUDGMENT FUND**

In most cases, tort and environmental claims are administered and resolved by the U.S. Department of Justice and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the Department of the Treasury. In accordance with the FASAB's Interpretation Number 2, *Accounting for Treasury Judgment Fund Transactions*, costs incurred by the Federal government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, GSA reported \$46 million and \$59 million in fiscal years 2003 and 2002, respectively, of Environmental and Disposals and Other Liabilities for contingencies, which will require funding exclusively through the Judgment

Fund. Of those amounts, \$45 million and \$57 million result from several environmental cases outstanding at the end of fiscal years 2003 and 2002, respectively, where GSA has been named as a potentially responsible party. Environmental costs are estimated in accordance with AAPC Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities of the Federal Government*.

Additional contingencies subject to ultimate funding from the Judgment Fund where the risk of loss is reasonably possible but not probable ranged from \$104 million to \$3.5 billion at September 30, 2003 and ranged from \$110 million to \$3.5 billion at September 30, 2002.

The recognition of claims to be funded through the Judgment Fund on GSA's Consolidating Statements of Net Cost and Consolidating Balance Sheets is, in effect, recognition of these liabilities against the Federal government as a whole and should not be interpreted as claims against the assets or resources of any GSA fund nor will any future resources of GSA be required to liquidate any resulting losses. Further, for most environmental claims, GSA has no managerial responsibility other than as custodian and successor on claims made against former Federal entities, particularly former World War II defense related activities.

Amounts paid from the Judgment Fund on behalf of GSA were \$76 million and \$50 million in fiscal years 2003 and 2002, respectively. Of these amounts \$46 million and \$38 million, respectively, related to claims filed under the Contract Disputes Act for which payments have been or will be made to reimburse the Judgment Fund by the GSA funds liable under the contacts in dispute. The balance of claims paid on behalf of GSA do not require reimbursement to the Judgment Fund.

## NOTES TO THE FINANCIAL STATEMENTS

**7 ACCOUNTS AND NOTES RECEIVABLE**

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002  
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND		
	2003	2002	2003	2002	
<b>CURRENT:</b>					
Accounts Receivable - Billed	\$ 143	\$ 220	\$ 105	\$ 127	
Accounts Receivable - Unbilled	164	134	277	195	
Allowance for Doubtful Accounts	(31)	(68)	(2)	(5)	
Subtotal Current Receivables	276	286	380	317	
<b>NONCURRENT NOTES RECEIVABLE</b>					
(Net of Allowance of \$35 million and \$31 million in 2003 and 2002, respectively)	-	-	-	-	
Total Accounts and Notes Receivable	\$ 276	\$ 286	\$ 380	\$ 317	

Substantially all accounts receivable are from other Federal agencies. Unbilled accounts receivable result from the delivery of goods or performance of services for which bills have not yet been rendered. Allowances for doubtful accounts are recorded using aging methodologies based on analysis of historical collections and writeoffs.

Notes receivable are from the sale of surplus real and related personal property, from motor vehicle damage claims, and from contract claims. Interest rates range from 0.0 percent to 12.6 percent.

	INFORMATION TECHNOLOGY FUND		OTHER FUNDS		LESS INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$ 128	\$ 97	\$ 23	\$ 27	\$ -	\$ -	\$ 399	\$ 471
	1,373	1,160	3	3	16	21	1,801	1,471
	-	-	(4)	(4)	-	-	(37)	(77)
	1,501	1,257	22	26	16	21	2,163	1,865
	-	-	-	-	-	-	-	-
	\$ 1,501	\$ 1,257	\$ 22	\$ 26	\$ 16	\$ 21	\$ 2,163	\$ 1,865

# NOTES TO THE FINANCIAL STATEMENTS

## 8 PROPERTY AND EQUIPMENT

### A. Summary of Balances

Balances in GSA's Property and Equipment accounts subject to depreciation as of September 30, 2003, and 2002, are summarized below (*Dollars in Millions*):

	2003			2002		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$22,633	\$10,073	\$12,560	\$ 20,522	\$ 9,080	\$ 11,442
Leasehold Improvements	313	271	42	277	238	39
Telecom and ADP Equipment	169	137	32	167	130	37
Motor Vehicles	3,674	1,153	2,521	3,551	1,094	2,457
Other Equipment	340	172	168	298	146	152
Total	\$27,129	\$11,806	\$15,323	\$ 24,815	\$ 10,688	\$ 14,127

### B. Cleanup Costs

In GSA's Federal Buildings Fund, certain properties contain environmental hazards that will ultimately need to be removed and/or require containment mechanisms to prevent health risks to the public. Cleanup of such hazards is governed by various Federal and State laws. The laws most applicable to GSA are the Comprehensive Environmental Response Compensation and Liability Act of 1980, the Clean Air Act and the Resource Conservation and Recovery Act.

In accordance with the Federal Accounting Standards Advisory Board's Statements of Federal Financial Accounting Standards (SFFAS) Numbers 5 and 6, *Accounting for Liabilities of the Federal Government* and *Accounting for Property Plant and Equipment*, respectively, and interpretive guidance in "Federal Financial Accounting and Auditing Technical Release Number 2" issued by the Accounting and Auditing Policy Committee, if an agency is required by law to clean up such hazard, the estimated amount of cleanup cost must be reported in the financial statements. Accordingly, GSA recognized liabilities totaling

\$20 million and \$29 million for Environmental and Disposals costs as of September 30, 2003, and 2002, respectively, for properties currently in GSA's property inventory. In instances where no reasonable estimate of the cost to clean up a particular site could be made, GSA recognized the estimated costs for related environmental studies as prescribed in the guidance noted above. In some instances, GSA has been named as a party in certain environmental cases where the subject property is no longer in the GSA or Federal property inventory. GSA's liability for such cases is further discussed in Note 6.

## 9 OTHER LIABILITIES

As of September 30, 2003, and 2002, amounts reported on the balance sheet as Other Intragovernmental Liabilities and Other Liabilities consisted of the following (*Dollars in Millions*):

	FBF	GSF	ITF	OTHERS	TOTAL GSA CONSOLIDATED
<b>2003</b>					
<b>Other Intragovernmental Liabilities:</b>					
Workers' Compensation Due to DOL	\$ 20	\$ 6	\$ 2	\$ 3	\$ 31
Deposits Held in Suspense	-	-	-	43	43
Payments Due to the Judgment Fund	206	-	-	-	206
<b>Total</b>	<b>\$226</b>	<b>\$ 6</b>	<b>\$ 2</b>	<b>\$ 46</b>	<b>\$280</b>
<b>Other Liabilities:</b>					
Contingencies	\$ 93	\$ 6	\$ 1	\$ -	\$ 100
Installment Purchase Liabilities	112	-	-	-	112
Pensions for Former Presidents	-	-	-	8	8
Unamortized Rent Abatements	4	-	-	-	4
<b>Total</b>	<b>\$209</b>	<b>\$ 6</b>	<b>\$ 1</b>	<b>\$ 8</b>	<b>\$224</b>
<b>2002</b>					
<b>Other Intragovernmental Liabilities:</b>					
Workers' Compensation Due to DOL	\$ 25	\$ 6	\$ 2	\$ 4	\$ 37
Deposits Held in Suspense	-	-	-	18	18
Payments Due to the Judgment Fund	167	-	-	-	167
<b>Total</b>	<b>\$ 192</b>	<b>\$ 6</b>	<b>\$ 2</b>	<b>\$ 22</b>	<b>\$ 222</b>
<b>Other Liabilities:</b>					
Contingencies	\$ 99	\$ 5	\$ -	\$ -	\$ 104
Installment Purchase Liabilities	38	-	-	-	38
Pensions for Former Presidents	-	-	-	8	8
Unamortized Rent Abatements	4	-	-	-	4
<b>Total</b>	<b>\$ 141</b>	<b>\$ 5</b>	<b>\$ -</b>	<b>\$ 8</b>	<b>\$ 154</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 10 UNFUNDED LIABILITIES

As of September 30, 2003, and 2002, budgetary resources were not yet available to fund certain liabilities reported on the balance sheet. For the balances in question, most are long-term in nature where funding is generally made available in the year payments are anticipated. These Unfunded Liabilities consist of amounts reported on the Consolidating Balance Sheets for fiscal years 2003 and 2002, under the captions: Workers' Compensation Actuarial Liability, Other Intragovernmental Liabilities, Annual Leave Liability, Environmental and Disposals, and Other Liabilities. In addition, balances reported as Intragovernmental Debt for fiscal years 2003 and 2002, include unfunded balances totaling \$84 million and \$103 million, respectively. Certain other balances reported in the Consolidating Balance Sheets under the captions: Deposit Fund Liability, and Earnings Payable to Treasury, as well as amounts shown as Deposits Held in Suspense in Note 9, while unfunded by definition, will be liquidated from resources outside of the traditional funding process.

## 11 NON-ENTITY ASSETS

As of September 30, 2003, and 2002, certain amounts reported on the balance sheet are not available to management for use in ongoing operations and are classified as Non-entity assets (see Note 1.A). These balances consisted of the following (*Dollars in Millions*):

	2003	2002
Funds with U.S. Treasury	\$ 87	\$ 61
Accounts Receivable - Public	1	-
Prepaid Expenses - Federal	17	14
Total	\$ 105	\$ 75

## 12 RECONCILIATION TO THE PRESIDENT'S BUDGET

In accordance with FASAB SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, if there are differences between amounts reported in these financial statements versus those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. Differences can occur between amounts reported in the Combining Statements of Budgetary Resources (CSBR) and similar amounts reported as actual results in the President's Budget. Balances submitted to the U.S. Treasury constitute the basis for reporting of actual results in the President's Budget.

In the most recent President's Budget, for the fiscal year 2004, which displays actual results for fiscal year 2002, the Office of Management Budget (OMB) modified the data that GSA reported to the U.S. Treasury. These modifications were made so that fiscal year 2002 results would be more comparative to the future estimated effects of implementing the Homeland Security Act. As a result, estimated amounts being transferred to DHS were deducted from the original amounts reported by GSA. This affected balances reported under GSA's FBF as Budgetary Resources by \$653 million, Obligations Incurred by \$643 million, Unobligated Balance by \$10 million and Outlays by \$396 million. For this same comparative purpose, \$12 million was deducted from each of those same categories related to the FedCIRC program, which is included in Other Funds.

Other differences between the CSBR and the President's Budget are due to adjustments identified by GSA during the preparation of the CSBR, which occurred after the U.S. Treasury's deadline for reporting of fund balances and budget execution results. Such adjustments to the balances reported to Treasury were made on the CSBR to more fully reflect the activity for the fiscal year ended and for balances as of September 30, 2002. Additional reconciling differences are caused by the presentation style of the President's Budget, which excludes Budgetary Resources

	FBF		GSF		ITF		OTHERS		TOTAL		DIFFERENCE
	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	
Budgetary Resources	\$11,722	\$11,066	\$4,305	\$4,304	\$9,748	\$9,743	\$ 645	\$598	\$26,420	\$25,711	\$ 709
Obligations Incurred	7,901	7,300	3,770	3,770	8,952	8,914	544	532	21,167	20,516	651
Unobligated Balance	3,821	3,765	535	534	796	829	101	70	5,253	5,198	55
Obligated Balance	1,039	1,063	(106)	(121)	(571)	(601)	146	142	508	483	25
Outlays	(241)	(616)	(64)	(52)	(150)	(149)	168	155	(287)	(662)	375

and Unobligated Balances in expired annual appropriated funds but are appropriately included in the CSBR in the Other Funds group. Such amounts totaled \$32 million and \$29 million, respectively, in fiscal year 2002. The most significant comparable amounts reported in the CSBR and President's Budget, and the total differences where the CSBR contains balances greater or (less) than amounts reported in the President's Budget are shown above (*Dollars in Millions*):

### 13 TRANSFER OF FUNCTIONS

On November 25, 2002, the President signed the Homeland Security Act of 2002. This legislation centralized several entities of the Federal Government that have provided protection, security information analysis, and communications regarding threats, emergencies, and disasters within the United States. Two elements of GSA, the Federal Protective Service (FPS) and the Federal Computer Incident Response Center (FedCIRC), were transferred to the new Department of Homeland Security (DHS) in accordance with this law, effective as of March 1, 2003.

The FPS, formerly a program of the Public Buildings Service, with operations funded through the Federal Buildings Fund (FBF), has a staffing level of approximately 1,450 employees and a fiscal year 2003 budget of \$439 million. The primary mission of the FPS is protecting Federal buildings and the Federal employees housed therein. Funding for FPS has been generated as an element of rents charged to the Federal agencies occupying Federal buildings and from reimbursable agreements from customers for enhanced security services.

The FedCIRC leads a Federal partnership to address computer security related incidents. This Center operates with a staffing level set at 25, and funding of \$11 million from appropriations. This program was funded as part of GSA's Operating Expense Fund, which is an element of the Other Funds grouping in GSA's financial statements.

In accordance with the cited legislation, the operation of these activities remained in GSA through February 28, 2003, at which point all outstanding assets, liabilities, and budgetary authorities for these programs were transferred to the DHS. Accordingly, five months of operations are reflected on GSA's financial statements for fiscal year 2003. As prescribed in FASAB Technical Bulletin 2003-01, *Certain Questions and Answers Related to the Homeland Security Act of 2002*, the Consolidating Statements of Net Cost reflect the segregation of these discontinued operations. The Statements of Net Position reflect the net of assets and liabilities transferred as Transfers out of Cumulative Results of Operations.

The long-term financial impact of the transfer of FPS activity will primarily be seen in reduced reimbursable revenues, and an even greater reduction of operating expenses in the FBF, thus increasing net income in the fund on the Statements of Net Cost. PBS, through the FBF, continues to bill and collect rent revenues from its customers to cover all building-related services, including security costs. A portion of these rent resources for security was the source of funds transferred to DHS as unobligated balances. The FBF will continue to provide transfers to DHS as the primary source of FPS funding at least through fiscal year 2004. Such funding transfers are reported on the Statements of Changes in Net Position as a reduction in Net Results of Operations.

# NOTES TO THE FINANCIAL STATEMENTS

The initial (unaudited) impact in fiscal year 2003 can be seen as the FPS program activity after the transfer to DHS generated \$186 million revenues and \$412 million of expenses. Accordingly, the net income recognized in the FBF for fiscal year 2003, was significantly higher than fiscal year 2002, primarily due to this impact. However, coupled with a transfer of \$275 million of unobligated balances, the ultimate affect on the Net Results of Operations of the FBF was not material.

The long-term financial impact of the transfer of FedCIRC will be reflected in the reduction of future appropriations related to this activity and the closely aligned obligations and expenses generated from program operations. The initial (unaudited) impact on fiscal year 2003 financial results can be seen, as FedCIRC program operations generated \$7 million in new obligations, and \$8 million in operating expenses after the transfer of this activity to DHS.

Amounts transferred to DHS on March 1, 2003 consisted of the following balances (*Dollars in Millions*):

	FPS	FedCIRC
Funds with Treasury	\$ 445	\$ 18
Equipment	11	-
Accounts Payable	106	-
Annual Leave	6	-
Other Liabilities	26	-
Net Balance	\$ 318	\$ 18
Unobligated Balance	\$ 275	\$ 7
Undelivered Orders	\$ 69	\$ 11

## 14 HELP AMERICA VOTE ACT

On October 9, 2002, the President signed the Help America Vote Act of 2002 (P.L. 107-252), to generate significant improvements in voting processes and the administration of elections across the United States. Under this Act, GSA was provide with \$650 million in appropriations, available to the 50 states, the District of Columbia, Guam, Puerto Rico, American Samoa and the U.S. Virgin Islands to improve administration of elections, and to replace punch card and lever voting machines. Under the terms of the Act, GSA made disbursements to the states and approved localities of all but \$400 thousand of the appropriated balance in fiscal year 2003.

Additional funding related to the purposes of this Act were provided as part of the Consolidated Appropriations Resolution, 2003 (P.L. 108-7), signed February 20, 2003. Within GSA's authorities, \$15 million was appropriated for the purposes of reimbursing states for the cost of optical scan or electronic voting equipment obtained prior to the Federal election in November 2000. All but approximately \$100 thousand was disbursed in fiscal year 2003 in accordance with the terms of this Resolution.

The almost \$665 million in payments made in accordance with these two laws are reflected as a portion of expenses reported on the Consolidating Statements of Net Cost under the Other Funds grouping.

## 15 FTS CONTRACTING ERRORS

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During fiscal year 2003, GSA's Office of Inspector General (OIG) performed an audit and provided a draft audit report that identified contracting improprieties in three regional offices of the Federal Technology Service's IT Solutions Program. Included in the report was the identification of reimbursable contracts executed through the ITF that were for non-IT related services. As the ITF was only established to provide IT program-related services, this constituted a violation of law. Amounts that have been determined to be inappropriate revenue and expenses in the ITF totaled \$10.6 million and \$65.2 million in fiscal years 2003, and 2002, respectively. As the OIG audit was limited to three of GSA's 11 regional offices, the possibility exists that certain amounts of contract activity in the other regional offices may also have been improperly processed through the ITF. Future audits and program evaluations will determine the extent of any further amounts in this regard.

# REQUIRED SUPPLEMENTARY INFORMATION

## DEFERRED MAINTENANCE

As of the end of fiscal year 2003, GSA had no material amounts of deferred maintenance cost to report. GSA administers the Building Maintenance Management Program that, on an ongoing basis, maintains the Building Class inventory in acceptable condition, as defined by GSA management. GSA utilizes a condition assessment survey methodology, applied at the overall portfolio level, for determining reportable levels of deferred maintenance. Under this methodology, GSA defines "acceptable condition" and "acceptable level of service" in terms of certain National Performance Measures, formulated under the provisions of the Government Performance and Results Act (GPRA) of 1993.

GSA expends normal repair and maintenance costs as incurred. Although GSA has no substantive backlog of deferred maintenance tasks, the average building in the GSA inventory is 45 years old, and only 25 percent of these buildings have had extensive modernization. This has led to a large inventory of capital Repair and Alteration (R&A) work items of which approximately \$5.7 billion has not yet been addressed by an ongoing PBS R&A project. For fiscal year 2004, GSA has requested new obligational authority of approximately \$1.0 billion for the R&A program.

## INTRA-GOVERNMENTAL BALANCES

For fiscal year 2003, the following schedule identifies major customers of GSA's Intra-governmental revolving funds and the associated amount of sales representing over 80 percent of GSA's total consolidated revenues (*Dollars in Millions*):

AGENCY	AMOUNT
Department of the Army	\$ 3,002
Department of the Navy	2,531
Department of the Air Force	2,231
Department of Justice	2,091
Department of the Treasury	1,251
Judiciary	1,007
Dept. of Health and Human Services	740
Social Security Administration	623
Department of Defense	587
Department of the Interior	535
Department of State	502
Department of Agriculture	477
Department of Transportation	433
<b>Total</b>	<b>\$ 16,010</b>

The following schedule reflects accounts receivable balances owed to GSA as of September 30, 2003, from the major customers of GSA's Intra-governmental revolving funds, representing over 80 percent of GSA's total consolidated accounts receivable (*Dollars in Millions*):

AGENCY	AMOUNT
Department of the Army	\$ 432
Department of the Navy	364
Department of the Air Force	341
Department of Defense	181
Department of Justice	136
Depart. of Health and Human Services	48
Department of State	47
Civil Corps of Engineers	44
Environmental Protection Agency	41
<b>Total</b>	<b>\$ 1,634</b>

GSA reported \$3,047 million of intra-governmental liabilities on its Balance Sheet as of September 30, 2003. Of that balance, the significant elements comprising over 80 percent of the total included borrowings from the Department of the Treasury - \$2,231 million (see Note 3); Workers' Compensation liabilities administered by the Department of Labor - \$31 million; and Judgment Fund reimbursements due the Department of the Treasury - \$206 million.

# SUPPLEMENTAL CONSOLIDATING STATEMENTS

## SUPPLEMENTAL CONSOLIDATING STATEMENTS OF OPERATIONS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002  
(Dollars in Millions) (Unaudited)

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND		INFORMATION TECHNOLOGY FUND		
	2003	2002	2003	2002	2003	2002	
<b>OPERATING REVENUES:</b>							
Building Rents and Services	\$ 7,951	\$ 7,627	\$ -	\$ -	\$ -	\$ -	
Sales of Supplies	-	-	1,801	1,634	-	-	
Information Technology Services	-	-	-	-	8,686	7,091	
Motor Vehicle Services	-	-	1,047	1,039	-	-	
Reimbursements	-	-	-	-	-	-	
Other	4	6	421	261	1	-	
Total Operating Revenues	7,955	7,633	3,269	2,934	8,687	7,091	
<b>EXPENSES:</b>							
Cost of Supply Sales	-	-	1,517	1,368	-	-	
Personnel Salaries and Benefits	566	586	250	226	152	148	
Rent	3,366	3,182	49	32	17	15	
Information Technology	-	-	-	-	8,493	6,869	
Motor Vehicles	-	-	371	399	-	-	
Contracted Services	1,785	1,894	208	145	-	-	
Depreciation and Amortization	1,063	908	363	332	24	22	
Utilities	306	277	-	-	-	-	
Operating Supplies	45	54	302	160	2	1	
Interest	180	187	-	-	1	-	
Travel and Transportation	21	27	7	7	5	5	
Shipping Expenses	-	-	48	50	-	-	
Workers' Compensation Actuarial Expense	3	(5)	1	(1)	-	-	
Other Expenses	(48)	69	8	60	6	9	
Total Operating Expenses	7,287	7,179	3,124	2,778	8,700	7,069	
<b>Net Income From (Cost of) Operations</b>	<b>668</b>	<b>454</b>	<b>145</b>	<b>156</b>	<b>(13)</b>	<b>22</b>	
<b>OTHER RESULTS OF OPERATIONS:</b>							
Appropriations Used	381	385	-	-	-	-	
Non-Exchange Revenue	-	-	-	-	-	-	
Imputed Financing Provided By Others	53	52	24	22	13	12	
Transfers of Assets and Liabilities, Net	(323)	(2)	9	9	-	-	
Transfers and Reclassifications of Earnings	-	-	-	-	-	-	
Other	-	(1)	(1)	-	(1)	-	
<b>Net Results of Operations</b>	<b>\$ 779</b>	<b>\$ 888</b>	<b>\$ 177</b>	<b>\$ 187</b>	<b>\$ (1)</b>	<b>\$ 34</b>	

	OTHER FUNDS		LESS INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS			
	2003	2002	2003	2002	2003		2002	
					Amount	% of Revenues	Amount	% of Revenues
	\$ -	\$ -	\$ 84	\$ 75	\$ 7,867	39.9 %	\$ 7,552	43.1 %
	-	-	19	17	1,782	9.0	1,617	9.2
	-	-	104	114	8,582	43.5	6,977	39.8
	-	-	9	8	1,038	5.3	1,031	5.9
	352	301	311	217	41	0.2	84	0.5
	1	8	1	-	426	2.1	275	1.5
	353	309	528	431	19,736	100.0	17,536	100.0
	-	-	19	17	1,498	7.6	1,351	7.7
	255	235	-	-	1,223	6.2	1,195	6.8
	26	26	84	75	3,374	17.1	3,180	18.1
	-	-	104	114	8,389	42.5	6,755	38.5
	-	-	9	8	362	1.8	391	2.2
	244	230	320	225	1,917	9.7	2,044	11.7
	10	5	-	-	1,460	7.4	1,267	7.2
	-	-	-	-	306	1.6	277	1.6
	5	2	-	-	354	1.8	217	1.2
	-	-	-	-	181	0.9	187	1.1
	8	7	-	-	41	0.2	46	0.3
	-	-	-	-	48	0.2	50	0.3
	-	-	-	-	4	-	(6)	-
	685	(5)	19	18	632	3.2	115	0.6
	1,233	500	555	457	19,789	100.3	17,069	97.3
	(880)	(191)	(27)	(26)	(53)	(0.3)	467	2.7
	839	185	-	-	1,220	6.2	570	3.2
	21	29	-	-	21	0.1	29	0.2
	46	26	27	26	109	0.5	86	0.5
	5	4	-	-	(309)	(1.6)	11	-
	(2)	65	-	-	(2)	-	65	0.4
	(1)	-	-	-	(3)	-	(1)	-
	\$ 28	\$ 118	\$ -	\$ -	\$ 983	5.0 %	\$ 1,227	7.0 %

## SUPPLEMENTAL CONSOLIDATING STATEMENTS

## SUPPLEMENTAL CONSOLIDATING STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002  
(Dollars in Millions) (unaudited)

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND	
	2003	2002	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net Income From (Cost of) Operations	\$ 668	\$ 454	\$ 145	\$ 156
Adjustments to Net Income From (Cost of) Operations -				
Depreciation and Amortization	1,063	908	363	332
Non-Exchange Revenues	-	-	-	-
Other Adjustments and Write-offs	-	55	-	32
(Gain) Loss on Disposal of Equipment	(23)	-	78	79
Changes in Current Assets and Liabilities -				
(Increase)/Decrease				
Accounts Receivable, Net	10	42	(63)	11
Inventories	-	(1)	(75)	(11)
Prepaid Expenses and Advances to Others	15	(1)	13	-
Increase/(Decrease)				
Accounts Payable and Accrued Expenses	114	23	27	-
Deposit Fund Liability	-	-	-	-
Deferred Revenue and Advances From Others	(10)	(15)	24	4
Other Liabilities	27	10	3	(24)
Total Adjustments	1,196	1,021	370	423
Net Cash Provided by (Used in) Operating Activities	1,864	1,475	515	579
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from Sales of Property and Equipment	-	-	183	184
Payments Received from Notes Receivable, Net	-	-	-	-
Capital Expenditures	(1,503)	(1,240)	(689)	(717)
Other	(7)	(5)	(3)	(4)
Net Cash (Used in) Provided by Investing Activities	(1,510)	(1,245)	(509)	(537)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Principal Payments Under Capital Lease Obligations	(14)	(10)	-	-
Additional Appropriated Capital, Net	373	430	-	-
Principal Payments on Long-Term Debt	(104)	(92)	-	-
Financing Sources Provided By Others	53	52	24	22
Receipts Transferred Out, Net	(447)	(1)	-	-
Net Cash Provided by (Used in) Financing Activities	(139)	379	24	22
Net Increase (Decrease) in Funds with U.S. Treasury	215	609	30	64
Funds with U.S. Treasury at Beginning of Year	4,639	4,030	428	364
<b>Funds with U.S. Treasury at End of Year</b>	<b>\$ 4,854</b>	<b>\$ 4,639</b>	<b>\$ 458</b>	<b>\$ 428</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>				
Total Interest Paid	\$ 166	\$ 171	\$ -	\$ -
<b>SUPPLEMENTAL SCHEDULE OF FINANCING AND INVESTING ACTIVITIES:</b>				
Property and Equipment Acquired Under Capital Lease Obligations	\$ 80	\$ 26	\$ -	\$ -
Property Acquired Under Long-Term Financing Arrangements	\$ 27	\$ 8	\$ -	\$ -

	INFORMATION TECHNOLOGY FUND		OTHER FUNDS		LESS INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$ (13)	\$ 22	\$ (880)	\$ (191)	\$ (27)	\$ (26)	\$ (53)	\$ 467
	24	22	10	5	-	-	1,460	1,267
	-	-	21	29	-	-	21	29
	-	-	-	-	-	-	-	87
	(1)	-	-	-	-	-	54	79
	(244)	268	4	17	5	3	(298)	335
	-	-	-	-	-	-	(75)	(12)
	8	-	(4)	(12)	29	(2)	3	(11)
	320	14	(6)	11	(5)	(3)	460	51
	-	-	12	(1)	-	-	12	(1)
	12	(118)	(8)	15	(9)	17	27	(131)
	1	(40)	14	(33)	-	-	45	(87)
	120	146	43	31	20	15	1,709	1,606
	107	168	(837)	(160)	(7)	(11)	1,656	2,073
	-	-	-	-	-	-	183	184
	-	-	-	12	-	-	-	12
	(25)	(26)	(6)	(28)	-	-	(2,223)	(2,011)
	(6)	(4)	-	1	(20)	(15)	4	3
	(31)	(30)	(6)	(15)	(20)	(15)	(2,036)	(1,812)
	-	-	-	-	-	-	(14)	(10)
	-	-	867	206	-	-	1,240	636
	-	-	-	(7)	-	-	(104)	(99)
	13	12	46	26	27	26	109	86
	-	-	(34)	(35)	-	-	(481)	(36)
	13	12	879	190	27	26	750	577
	89	150	36	15	-	-	370	838
	226	76	436	421	-	-	5,729	4,891
	\$ 315	\$ 226	\$ 472	\$ 436	\$ -	\$ -	\$ 6,099	\$ 5,729
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 166	\$ 171
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80	\$ 26
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ 8

# SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS

## MANAGEMENT CHALLENGES IDENTIFIED BY THE INSPECTOR GENERAL

### PROCUREMENT ACTIVITIES

**ISSUE:** GSA provides Federal agencies with products and services valued in the billions of dollars through various types of contracts it establishes and administers. Among other contracting programs and vehicles, GSA is responsible for the Multiple Award Schedules (MAS) program, a significant number of Multiple Award Contracts (MACs), and the City Pair Airline contracts. Although our specific concerns vary somewhat depending on the contracting program or vehicle, management challenges in this area generally center around the contract evaluation and award process, and involve the often related issues of 1) competition, 2) pricing, and 3) implementation of statutory or regulatory compliance-type requirements.

**THE MAS PROGRAM:** provides Federal agencies with a simplified procurement process for the purchase of a diverse range of commercial supplies and services from multiple vendors at prices associated with volume buying. MAS contracts are awarded to contractors supplying the same generic types of items or services at varying prices for delivery within the same geographic areas. Federal agencies then simply order supplies or services from the schedules (or catalogs) at the prenegotiated prices and pay the contractors directly for their purchase. GSA administers over 110 schedules that produced sales of \$22 billion in FY 2002; and the volume is expected to continue to grow.

Our Office is concerned that, as the MAS program has grown, the importance of certain program fundamentals – including pricing objectives and other pricing tools – has diminished. These fundamentals, which are set out by regulation, include the mandate for most-favored customer (MFC) pricing, the requirement to perform meaningful price

analysis when awarding or extending contracts, and the use of preaward audits to assist in negotiating contracts. MFC pricing ensures that MAS contract pricing harnesses the Federal Government's collective buying power for pricing purposes. Price analysis is the key substantive step a contracting officer performs for the purpose of arriving at fair and reasonable prices. Preaward audits are the main tool by which a contracting officer can be assured that a vendor's pricing is as represented. Such audits also provide contracting officers with additional details regarding a vendor's pricing and sales practices in anticipation of negotiations.

**MACS:** are appropriate when the Government cannot predetermine, above a specified minimum, the precise quantities of supplies or specific services that will be required during the contract period. Using source selection procedures, GSA competitively awards multiple contracts covering the same scope of work and then, as needs are identified for specific tasks and products, agencies compete the task/delivery orders among the contract holders. The use of multiple award contracts is encouraged by the Federal Acquisition Streamlining Act of 1994 to promote best value and the fair opportunity for contract awardees to compete among themselves. The competition is intended to lower prices, obtain better quality, reduce delivery time, and improve customer service. Each of GSA's three major Services has developed MACs. However, at times the opportunity to be considered for task orders has been unnecessarily limited, thus reducing the possibilities for lower prices, better quality, reduced delivery time, and improved customer service.

### ***City Pair Airline Contracts; Section 508 Compliance***

Other significant procurement activities at GSA include the annual award of the City Pair airline contracts, and the implementation of the provisions of Section 508 of the Rehabilitation Act across agency procurements. In addition to below market fares, the City Pair program provides Federal travelers' several advantages over commercial restricted coach fares, including unrestricted and fully refundable fares, no penalties for cancellations or schedule changes, and stable fare prices. We believe the evaluation process could be improved by, among other things, applying certain private sector practices, and that savings could be increased by education efforts in the area of dual fares.

Section 508 of the Rehabilitation Act requires Federal departments or agencies to give disabled employees and members of the public access to information that is comparable to the access available to those without disabilities. GSA has compliance and implementation responsibilities in a number of areas, including for electronic and information technology procurements (EIT). GSA's implementation efforts in this area are progressing.

### ***OIG Work Completed***

Previously, our office completed a review of FSS's contracting for services under MAS contracts, which showed that FSS is supporting Federal Acquisition Regulation changes that will require agencies using the services schedules to attempt to obtain better-than-negotiated pricing on large procurements. We also completed a review of the operations of FSS' Hardware SuperStore. We found that FSS' efforts to improve contracting have yet to alleviate MAS pricing concerns. In 2001, we issued an OIG white paper, reporting that FSS is not consistently negotiating most favored customer prices, many MAS contract extensions are accomplished without adequate price analysis, and available tools are not being used effectively to negotiate better MAS prices.

In FY 2002, our office completed a review of FSS' assessments of contractor responsibility for its MAS contracts. We found that while FSS strives to assure that prospective MAS contractors qualify under the Federal Acquisition Regulation responsibility standards, improvements are needed in its core analysis of relevant offeror information, contract file documentation, and utilization of available resources.

To obtain a greater depth of knowledge of how customers are using professional services contracts under GSA's Federal Supply Service Multiple Award Schedule (MAS) Program, we distributed surveys to contracting officials in four customer agencies. On July 31, 2003, we issued a report to the FSS Commissioner outlining the survey results. The 5,589 surveys sought information on whether task orders were placed on a ceiling/not to exceed price (time and materials) basis or a firm-fixed price basis and other information including whether additional discounts were obtained from the established GSA price. While GSA establishes fair and reasonable ceiling prices when awarding MAS contracts, the program is designed to provide customer agencies the opportunity to seek better prices when defining their specific task order requirements.

We received 1,976 responses pertaining to services task orders, totaling \$2.4 billion. Only one-third of these orders were priced on a firm-fixed price basis. Twenty-nine percent reflected prices better than established GSA prices. Although our survey results show that agencies are not frequently using Blanket Purchase Agreements (BPA), 81 percent of the task orders that were issued under a BPA reflected better pricing. However, only 40 percent of the task orders exceeding the Maximum Order Threshold and 54 percent of the task orders exceeding \$10 million reflected better pricing. As a result, FSS should continue to assist customer agencies through training and marketing efforts, particularly in the areas of competition, price analysis, and contract type, in order to improve the ability of contracting officials to effectively award task orders.

## SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS

In FY 2003, our office concluded that the \$1 billion FSS City Pair Program is an economical approach to obtaining airline services for the federal traveler. While FSS continually strives to improve the Program to obtain the best value possible, it should also consider applying private sector practices, such as cost per mile and percentage discount, when evaluating offers for over 5,000 city pairs. Also, to increase savings, travel management center contractors and federal travelers should be made aware of the benefits of maximizing the use of dual fares associated with 2,400 city pair markets. Furthermore, accurate, timely, and measurable data is paramount to the success of the program, thus FSS must ensure the receipt of data from airlines, banks, and travel management centers.

In FY 2003, our office found that GSA has taken considerable action to implement the requirements of Section 508 of the Rehabilitation Act, to enable people with disabilities to have comparable access to data and information as those without disabilities. To further promote the intent of this evolving area, GSA recently expanded its Section 508 guidance, training, and Web site initiatives. The agency has referenced 508 in procurement vehicles, provided training for the Federal and contracting community, maintained the governmentwide 508 Web site, promoted accessible Web sites, and issued internal guidance for Agency implementation of Section 508. Even with these actions, we identified issues such as electronic and information technology (EIT) procurements not appropriately addressing Section 508, limited accessible EIT product information in GSA's Web-based ordering system, and accessibility errors in Agency Web sites. Agency-wide guidance and industry outreach, coupled with enhanced regional training, should improve 508 understanding and compliance.

### **Agency Actions**

We are participating with FSS on a working group to review current MAS procurement practices, and analyze potential enhancements to program pricing activities. The group is comprised of representatives from the Offices of Acquisition Policy, General Counsel, FSS acquisition, and the Office of Inspector General. On June 20, 2003, FSS issued a Procurement Information Bulletin (PIB) to provide guidance and instructions to contracting officers in requesting audit assistance from the OIG when making new awards exercising options to extend the term of a contract. The principles in the PIB also apply to audits of new MAS offers. The PIB should help contracting officers take better advantage of the assistance that can be provided by the OIG.

GSA continues to work with an interagency committee to develop a best practices guide, "7 Steps to Performance-Based Services Acquisition." Additionally, a Center of Expertise has been established to gather sample statements of work and develop a template for performance-based service contracting solicitations.

This year, the Agency conducted a study of FSS and FTS operations related to information technology offerings in order to enhance GSA's ability to provide best value to customer agencies. Three teams were established to develop business plans to combine and realign functional areas related to IT that are currently carried out separately in FSS and FTS, and expand expert assistance services, both technical and procurement, into other GSA products and services.

FSS is working to improve the City Pair Program. This is being accomplished through applying best practices, educating the travel management centers and federal traveler on the benefits of the City Pair Program, and obtaining accurate, complete and timely data to monitor the program.

### ***OIG Work in Process or Planned***

Recognizing that service contracts under the MAS Program is the fastest growing procurement program in GSA (over \$12.7 billion in FY 2002), we will be conducting additional work to assess how customer agencies are crafting individual unique task orders awarded under the contracts.

We have initiated a review of the Travel Management Centers (TMC) Industrial Funding Fee (IFF) and whether the controls are in place to ensure that the submissions are accurate, complete, and timely.

We will also review On-line procurement with eBay, GSA's Electronic Request for Quotes Web site to determine if it is sufficiently used by both contractors and Federal agencies to be considered successful.

GSA streamlined its supply operations by consolidating its distribution centers at two locations. Recently, the Western Distribution Center moved to a more modern facility with an updated material handling system. The estimated savings through efficiencies and technology were estimated at \$9 million. A similar redesign is anticipated at the Eastern Distribution Center. Our review of the effect of consolidation of Distribution Centers found that many shipments are costing more to transport and are taking longer to deliver since customer orders must be shipped longer distances than in prior years. An assessment of the validity of the estimated savings for the upgrades and modernization of the Western Distribution Center is currently underway.

## **CONTRACT MANAGEMENT**

**ISSUE:** GSA increasingly accomplishes its mission by using contractors to provide client services and products. In fiscal year 2002, GSA added new procurements valued at more than \$13 billion to its active contract inventory. While GSA gains tremendous advantage by leveraging its human capital to manage and arrange for work to be performed by contractors rather than doing the work itself, the corporate

skill base necessary to effectively manage contracts is not keeping pace with the growth and complexity of this important activity.

Last year, we introduced the concern that Contract Administration deficiencies are more frequently being raised in our audits. We now believe however, that the issue is broader than just administering existing contracts. Based on our recent audit work, we have a growing list of signs that management of the contract process is a matter of increased concern.

In our briefings to GSA senior management, we have emphasized that effective contract management starts with complete acquisition planning; relies on sound source selection criteria to select only the best contractors; requires clear and concise contract language; demands well trained contract administrators; and needs well defined work or task order requirements, including milestone plans with positive and negative incentives, and more importantly, assertive action to get wayward contracts promptly on track. There is a heightened need for enhanced actions as GSA's contracting workload continues to increase at a rapid rate. While many GSA contracts are well crafted and properly administered, we are finding weaknesses more often.

As elements of a number of unrelated audits performed over recent years, we have observed certain trends that cause us to be concerned with contract management. Some points we have noted are:

- Weak selection criteria permit poor performing contractors to win awards, or projects were awarded to contractors with no expertise in the services needed. Task objectives are poorly crafted, milestone plans are missing, and unauthorized personnel issued some task orders. In addition, contracts were awarded without appropriate clauses to hold contractors responsible for protecting sensitive data from unauthorized release.

## SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS

- Use of contract formats that offer no incentives to keep projects moving. Contractors often neglect to establish required quality control programs, or do not submit firm construction schedules meaning that delays are unknown until they become serious.
- GSA personnel are not providing project oversight, are slow in making project-critical decisions, and often do not inspect completed work projects prior to payment. Also, services were paid for but never provided, and authorizations to pay for services invoiced had no supporting documentation.

### *Agency Actions*

Immediately after our briefing to senior management, the GSA Administrator directed the Senior Procurement Executive to form a Project Action Team to assess the systemic causes surrounding these issues. The team is currently being assembled.

### *OIG Work Planned*

We have included several reviews on our Draft FY 2004 Audit Plan that will address contract management concerns. Among these are: the Administrative Measurement and Improvement Program, whereby FSS can evaluate the quality of contract negotiations and awards and act accordingly to correct problem areas; the eModification Pilot Program, being developed by FSS to assist procurement contracting officers to process certain types of contract modifications; and the Acquisition Management Program, which is to produce a 'report card' that evaluates vendor performance. Our audits will evaluate the adequacy and effectiveness of these new programs. In addition, we will review FTS' Management of Contract Employees to determine if FTS is doing an effective job, exercising proper oversight, assuring employees possess proper qualifications and education and that they have appropriate security clearances. Overall, 15 procurement-related major assignments are contemplated.

### **INFORMATION TECHNOLOGY**

**ISSUE:** With the increased development and implementation of new Information Technology (IT) systems within GSA to perform its mission and manage its operations, challenges in this area continue to increase. Many of GSA's systems store and process sensitive information, including personal employee data, financial data, and contractors' proprietary information. Management challenges related to systems' requirements and performance are faced at all phases of development, implementation, and operation. Further, it is critical that the IT Security Program adequately manage all IT security risks. GSA is the lead agency for five eGov initiatives; two of the initiatives address Government to Business or Government to Citizen services and three initiatives are to provide services to other government departments and agencies. These IT applications, developed to better manage operations and interface with the public, also give rise to complex integration and security issues that must be addressed. Success is dependent upon breaking development into short-term manageable segments with performance-based deliverables consistent with system objectives.

**SYSTEMS DEVELOPMENT:** GSA is in the process of replacing a number of its old systems, in keeping with technological advances and to meet current regulations. Many of the IT projects are designed to go beyond automating current business functions and create real change in the way that GSA does business. However, GSA has experienced recurring difficulty in deploying and maintaining structured system development practices that ensure the proper development of requirements as well as implementation of prescribed system processes. As a result, GSA systems commonly experience development schedule delays and cost overruns, need frequent redesign, and have difficulty sharing usable data between systems.

Many GSA IT projects attempt to minimize development cost and deployment schedules by developing systems based on existing Commercial-Off-The-Shelf (COTS) software packages. COTS solutions offer agencies the

ability to forgo lengthy development of core system functionality and the ability to adhere to industry information processing standards. However, the majority of COTS solutions do require modifications to meet unique Federal requirements. Moreover, new systems require interfaces with existing systems that are difficult to implement. Reviews by our office have shown this to be the case with GSA's new accounting system, Pegasys, the foundation of which is a COTS financial management product. Pegasys is to replace the National Electronic Accounting and Reporting (NEAR) system as GSA's financial system of record. During FY 2001, the Office of the Chief Financial Officer re-scoped Pegasys to focus on providing elements of the core financial functionality. As planned, on October 1, 2002, Pegasys became the Agency's official system for accounting records. While this is a key accomplishment, numerous challenges remain before completing full implementation of an integrated financial management system.

**INFORMATION TECHNOLOGY SECURITY:** The Federal Information Security Management Act of 2002 permanently authorized the framework laid out in the earlier Government Information Security Reform Act (GISRA) emphasizing key principles for computer security for Federal programs and systems. With the OIG's second annual GISRA Information Security program evaluation, we found that GSA has made progress with the establishment of a new Security Division within the Office of the Chief Information Office, which has (1) issued security guidelines, (2) drafted revisions to the Agency-wide policy on IT security, and (3) taken steps to correct security weaknesses identified in GSA's Program Level Plan of Action and Milestones. However, an Agency-wide plan for implementing GSA's IT Security Program has not been provided to system owners to ensure that systems continue to operate as intended, Agency assets are protected, and privacy is assured. In addition, revisions to GSA's Agency-wide IT Security Policy are needed to provide a basis for effective management and implementation of an Agency-wide IT security program. To achieve the intent of GISRA, the Office of the CIO must effect a national cybersecurity strategy, including measures to identify and document an

enterprise architecture; continuous assessments of threats and vulnerabilities; implementation of security controls and remediation efforts; identification and authentication of users; and system configuration management.

### ***OIG Work Completed***

Since FY 1998, our office has performed a number of IT-related reviews. Most recently, we completed our review of PBS' Systems Development Center, where we focused on how PBS was managing and monitoring the Center and identified lessons learned after this alternative approach for IT project management was terminated after a three year period. We concluded that this initiative was not successful because insufficiently defined requirements were used as criteria for generating proposals, and blanket purchase agreements did not identify performance measures, incentives for contractor performance, or penalties for not meeting PBS' IT requirements.

### ***Agency Actions***

In January 2003, the CIO issued a new handbook on IT Security Policy to document and set forth GSA's IT Security Policy, an element required for meeting the goals of GSA's IT Security Program. In addition, Milestone and Action Plans for improving security for 23 of GSA's major applications have recently been provided to the Office of Management and Budget as required by statute.

The CFO is working with the Office of Acquisition Policy to determine ways to introduce performance-based contracting methods into the Pegasys contracting process. Additionally, the CFO has taken positive steps to gain better control over the development and implementation process, and has engaged Government consultants and commercial sources to assist in the identification of steps that can be taken to gain better control over the cost and timeliness of the project.

## SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS

GSA is drafting an addition to the Federal Acquisition Regulation to ensure that security requirements are built into IT purchases. The regulation will require security plans and security training for contractors.

### ***OIG Work in Progress***

The Design and Development of FTS' 3GS financial system is intended to manage the process whereby GSA acts as a broker between Federal agencies and commercial firms to provide regulatory compliant support, project management and funds management. Our review is focusing on whether the requirements and design goals are being met.

We are currently reviewing the modernization of the FSS-19 acquisition and inventory system. We are looking to see if FSS achieved performance improvements with its initiative to provide more 'on line' and electronic Data Interchange capabilities in the primary system that supports worldwide procurement and supply functions.

In our review of FedBizOpps – an FSS managed system that provides public access to Federal business opportunities – we will determine if GSA has been successful at ensuring electronic postings of solicitations to the Internet and if the system meets user needs.

### ***OIG Work Planned***

We will evaluate GSA's contingency planning procedures for IT systems to ensure the system can be recovered quickly and effectively following a service disruption or disaster. We will also review the status of GSA's eAuthentication Initiative that provides common authentication services and infrastructure and enterprise architecture support for eGov initiatives. Finally, we will assess GSA's progress in implementing improvements to the Federal Procurement Data System, a repository for statistical information on Federal contracting maintained by GSA.

## **MANAGEMENT CONTROLS**

**ISSUE:** Multiple management controls have been replaced, through reinvention initiatives, by fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed.

**PROCUREMENT:** Management has been emphasizing the use of purchase cards as a means of streamlining the procurement process. Individuals can charge any amount up to their spending authority. The Agency's emphasis on using purchase cards whenever possible significantly heightens the importance of adequate controls for purchase card transactions.

Our concerns encompass whether speedy procurement is being attained at the expense of appropriate regulatory requirements and good management controls, whether charge cards are being used solely for appropriate Government purchases, and whether GSA is getting the best price.

**DATA INTEGRITY:** In passing the Government Performance and Results Act of 1993 (Results Act), Congress emphasized that the usefulness of agencies' performance data depends, to a large degree, on the reliability and validity of those data. Past audit work has shown that the absence of controls or the non-compliance with existing controls has resulted in poor quality data at the operational levels of many GSA programs.

### ***OIG Work Completed***

We have conducted several recent reviews specifically designed to test management controls. In addition, controls evaluations were part of broader examinations of Agency programs and functions, many of which utilize the charge cards for purchases, travel or fleet services. From these reviews, we concluded that, although there has been improvement, management is not consistently applying

controls that will help deter fraud and misuse. We continue to find charge card use to circumvent procurement regulations and acquire unauthorized goods and services.

Another review completed, PBS use of *Brokerage Contracts for Lease Acquisition Services*, looked at control issues regarding financial accountability, procurement integrity and the perception of fair and open competition, as well as contract administration issues. We noted deficiencies in the financial, ordering, and administrative aspects of these contracts and presented a summary of our observations and lessons learned in a report to management.

### **Agency Actions**

GSA's Chief Financial Officer (CFO) is aware of the importance of adequate controls for charge card transactions and has worked with our office to strengthen those controls. New processes are in place that force reviewing officials to examine purchase transactions monthly. Cards are withdrawn from those who do not comply. As a result, we have seen a substantial reduction of fraud stemming from card use.

### **OIG Work in Process**

We are currently reviewing the purchase and travel card controls in several regions to assess the practices of approving officials and the cardholders whose transactions they are to review, and we are evaluating the controls over refunds by the banks awarded contracts under the SmartPay Program.

We have in process a review of the accuracy and completeness of data in the Inventory Reporting Information System used to manage the Repair and Alteration Program. In addition, we recently started looking at GSA's lease administration practices to ensure that leasing actions are in the best interests of the government and responsive to tenant needs. A review of the Construction Program that will include an assessment of controls over PBS construction projects is on-going.

### **OIG Work Planned**

In fiscal year 2004 we plan to determine whether financial controls over the FEDSIM Program are effective and operating efficiently to meet objectives. This Program provides information technology goods and services to Federal Agencies worldwide on a cost reimbursable basis. We will also review controls over FTS Budgetary accounts as well as controls over proceeds from sales of vehicles. Finally, our review of Construction Prospectus Controls will focus on guidelines used to determine which costs relate to a prospectus and which costs are excluded.

## **AGING FEDERAL BUILDINGS**

**ISSUE:** GSA is being challenged to provide quality space to Federal agencies in a competitive environment with an aging, deteriorating inventory of buildings and critical budgetary limitations.

It is estimated that it would take over \$5 billion to bring the building inventory up to standard. Since the Federal Buildings Fund generates annual revenue of about \$7 billion, most of which is committed to leased space costs, operating expenditures, and construction of new courthouses, finding funds for needed repairs is a major problem.

GSA needs to determine which buildings represent the greatest risk from a safety and operational perspective, which buildings will yield the best return on investment, what the Government's future space requirements are, and how to fund the highest priority projects in a timely manner.

## SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS

### ***OIG Work Completed***

Prior reviews showed a need for PBS to improve the administrative aspects of asbestos management; develop a more comprehensive fire safety management system that focuses on a national fire safety strategy, and to evaluate the formula used to measure a building's net income, and improve profit and loss information to facilitate better property management decisions.

### ***Agency Actions***

In response to our observations in *Audit of the Public Buildings Service's Asset Business Plans*, PBS provided a strategy for restructuring the owned building inventory. The strategy envisions a combination of actions including disposals, exchanges, public/private partnerships, outleases, and new construction. PBS has proposed a three-tiered approach in prioritizing the inventory, using a series of asset diagnostic tests or measures, each with a performance target or threshold that will assist in categorizing individual buildings. The first test simply seeks to determine whether the property produces sufficient income to meet both operating expenses and a reserve for replacement. The second test measures an asset's financial performance in terms of return on investment. Other tests address operating efficiency, customer satisfaction, rental rate and vacancy levels, and current repair and replacement needs. After this performance review, each asset will be categorized as either performing, under-performing, or non-performing. GSA will consult with affected agencies on appropriate resolution strategies for each troubled asset. GSA has briefed congressional subcommittees with jurisdiction over GSA, and they are very supportive of this effort, as are OMB and GAO.

In response to other audit reviews, management has developed a PBS-wide Environmental System to address our recommendations that it become more proactive in how it views and acts on environmental issues and to address

issues such as property contamination, compliance with Federal and state environmental laws and regulations, and liability for tenant activities. PBS also developed a more comprehensive fire safety strategy, which endeavors to provide a functional, safe, and healthful work environment, protect property, and promote client agency mission continuity.

### ***OIG Work in Process or Planned***

Based on an overview of the Repair and Alteration Program recently completed, we will be focusing on whether GSA has adequate criteria in place to make decisions on which buildings are to be given priority for Repair and Alteration projects. PBS implemented the Portfolio Restructuring Initiative to assess, re-classify, and restructure its inventory of buildings based on criteria which includes whether the buildings are income producing or not. Our review will focus on how effective PBS is in implementing the initiative and if it is investing its resources in strong income producing assets.

As noted elsewhere, we are reviewing the integrity of the data in the Inventory Reporting Information System to ensure that management bases its decisions on accurate and complete building inventory data.

The largest source of income to the Federal Buildings Fund is the rent charged by PBS to its customer agencies for the space they occupy in GSA controlled space. In FY 2003 this amount was estimated to be \$6.6 billion. PBS redesigned its policy for charging rent to customer agencies in FY 1997. We will determine if the current pricing methodology provides a fair basis for charging rent, cover expenses, target funds for reinvestment in the inventory, and represent an efficient business process.

The construction excellence program was established to help PBS improve the management of its construction program. A current audit is assessing whether PBS's construction excellence program is achieving its objective of completing major R&A projects timely and with minimal changes. This project will compliment the audit of construction excellence as it pertained to new construction that is currently being performed.

## HUMAN CAPITAL

**ISSUE:** Like many Federal agencies, GSA has an aging workforce and faces significant potential loss of institutional knowledge in the coming years. Since 1993, GSA has been downsizing and has focused on restructuring its financial and business efforts. The Agency workforce was reduced from 20,000 to 14,000 between 1993 and 1999. Much of the downsizing was accomplished through early retirement and buyout authority, and by filling job vacancies sparingly.

Since 1998, the OIG has consistently cited human capital management as one of the major management challenges facing GSA. Additionally, Congress and the General Accounting Office (GAO) have identified human capital management policies as a missing link in the Government's performance management framework. GAO added this issue to its list of major management challenges facing Federal agencies. Human capital planning and organizational alignment, leadership continuity and succession planning, and recruitment and retention of staff with the right skills were identified as key areas needing attention.

### ***OIG Work Completed***

To establish a benchmark regarding whether GSA's efforts are enough to acquire the skills and talent needed to respond to a rapidly changing, increasingly competitive business environment, we looked at other Federal agencies' self-assessment reports, suggested by GAO to identify current and future human capital needs to pursue agency missions. The assessments by the other agencies not only demonstrate senior level commitment, but also map out, in an objective fashion, the agencies' human capital requirements to meet current and future demographic and performance challenges. In our *Advisory Report on GSA's Human Capital Management*, we encouraged GSA to proceed with the human capital assessment suggested by GAO.

We also reviewed GSA's process for classifying activities required under the Federal Activities Inventory Reform (FAIR) Act. In our *Audit of GSA's Inventorying Process for the Federal Activities Inventory Reform Act* we encouraged GSA to be more accurate and consistent than it had been in the 2001 reporting cycle, where Regional, Service and Staff Office subjectivity created inconsistencies that impacted the final reporting to the Office of Management and Budget. From our best practices effort, we also identified an organizational realignment as well as other tools that could assist GSA with not only its FAIR Act activities, but also with the President's Management Agenda initiatives.

The *Audit of Compliance with Qualification Standards for Acquisition Personnel Within the Federal Technology Service* identified several instances whereby FTS contracting personnel were promoted without having the proper education and/or experience requirements as set forth in the Clinger-Cohen Act of 1996. Recommendations were issued to the Commissioner of FTS and Deputy Associate Administrator for Acquisition Policy, both of whom concurred with the findings and recommendations. The exact corrective action is still being considered.

# SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS

## ***Agency Actions***

GSA has moved on several fronts to meet identified human capital challenges. For example, GSA's World Class Workforce (WCW) has met or exceeded its targets for hiring new employees over the past two years. The WCW also has a number of initiatives regarding employee orientation, engaging existing employees, and developing leaders within GSA.

In its efforts to more accurately and consistently inventory its activities, GSA has issued general and specific guidance on a number of points identified in our audit report. It also has established a competitive sourcing team to oversee each Service's inventory and report on any discrepancies or variances, and it established the Office of Performance Improvement that will oversee the competitive sourcing initiatives for GSA.

## ***OIG Work in Process or Planned***

We have in process an audit of *Acquisition Workforce Qualifications in the Federal Supply Service* to determine if GSA is effectively implementing the qualification provisions required by the Federal Acquisition Reform Act.

## **PROTECTION OF FEDERAL FACILITY AND PERSONNEL**

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**ISSUE:** Providing a safe, healthful, and secure environment for over 1 million workers and the visitors to over 8,300 owned and leased Federal facilities nationwide is a major multifaceted responsibility of GSA. The increased risks from terrorism have greatly expanded the range of vulnerabilities traditionally faced by building operations personnel. In March 2003, the Federal Protective Service (FPS) was transferred from GSA to the Department of Homeland Security (DHS). While FPS is no longer part of GSA, the Agency will have a continual need to closely interact with security personnel due to GSA's mission of housing Federal agencies. GSA and FPS/DHS operate under a Memorandum of Agreement for obtaining services such as basic security for buildings, contract guards, law enforcement, background suitability determinations for contractors (including Child Care), pre-lease security checks, occupant emergency plan support and continuity of operations plan activation support. Ensuring that Federal employees have a secure work environment and that building assets are adequately safeguarded must remain a primary concern of GSA.

## ***OIG Work Completed***

Since 1996, the OIG has issued more than 25 audit reports and special alert reports addressing various aspects of the physical security program. The results, especially in our earlier efforts, frequently reported systemic operating shortcomings. Some of the areas covered by these reviews were contract security guards, countermeasures, child care center security, access to Government facilities, intelligence sharing, facility risk assessments, and clearance processes for contract personnel. At the same time, we performed more than 170 related investigations. GSA management has been responsive to our findings and has implemented many corrective actions and enhancements. Our office and GSA management, however, are aware that the safety and

security programs still face many challenges – challenges that have been greatly expanded in nature and dimension by the terrorist attacks of September 11, 2001. In 2002, at the request of the Administrator and senior PBS managers, we conducted a major reevaluation of the measures FPS has taken over the past several years to strengthen and upgrade building security systems. We reported that GSA had materially improved the operational status of security equipment countermeasures installed at Federal facilities nationwide. Our follow-up review of the Contract Guard Program found a marked increase in the numbers of security personnel, however management and administrative issues still hamper program effectiveness. We also tested the Federal Security Risk Manager (FSRM) Program, concluding that the program is on the right course, but it needs refinement and individuals need to be trained better in its use. In anticipation of the FPS transfer to DHS, we prepared a report summarizing critical operational issues identified in numerous past OIG reports, as well as forward looking issues impacting GSA and DHS. We subsequently met with the Inspector General of DHS and his staff to discuss these transition issues.

### ***Agency Actions***

As part of the FPS transition to the new department, a Memorandum of Agreement (MOA) has been drafted, setting forth the support services GSA will provide to DHS and the security services DHS will provide to GSA. Such services include the continuation of the FSRM, a risk assessment methodology that addresses potential threats to Federal facilities. This methodology, which may be adopted as the standard for all Federal agencies, was designed to link threats, risk levels and countermeasure recommendations, and address vulnerabilities and impact of loss should an incident occur. The desired goal is to reduce threats at each facility through specific countermeasures to address the risks.

In addition, as part of the increased focus on security, GSA is adopting a nation-wide uniform credential based on Smart Card technology. A smart chip embedded in the credential will identify each employee visually and electronically for both identification and physical access purposes.

### ***OIG Work in Process or Planned***

We are currently reviewing the adequacy of management controls to ensure that background suitability checks are implemented for contractor employees before they are allowed to work in GSA controlled facilities. We are also looking to see if GSA has developed and implemented a comprehensive emergency response plan that will help protect GSA employees and ensure continuity of operations in time of crises.

We plan to determine whether the operating procedures detailed in the Memorandum of Agreement between GSA and FPS/DHS result in GSA getting the full scope of required security services necessary to ensure the safety of Federal employees housed at GSA-controlled facilities.

Our planned review of Building Access Through Smart Cards aims to determine if the implementation of GSA's new credential identification card program achieves its stated program objectives and if the Program is being implemented consistently throughout the nation.

# SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS

## DEBT MANAGEMENT

Outstanding debt from non-Federal sources decreased from \$18.5 million at fiscal year-end 2002 to \$17.5 million at fiscal year-end 2003. The amount of delinquent debt decreased from \$13.1 million to \$10.2 million for the same period. Non-Federal receivables consist of debts owed on third-party claims, travel advances, proceeds from the sale of real property, and other miscellaneous receivables.

To comply with the Debt Collection Improvement Act of 1996, GSA transmits delinquent claims each month to the U.S. Department of the Treasury Financial Management Service (FMS) for collection cross servicing. From October 1, 2002, to September 30, 2003, the GSA Finance Centers referred approximately \$18.5 million of delinquent non-Federal claims to the U.S. Treasury Department for cross-servicing collection activities. Collections on non-Federal claims during this period exceeded \$268 million. Administrative offsets resulted in additional collections of \$6.6 million. GSA also collects non-Federal claims using Pre-Authorized Debits (PAD's). From October 1, 2002, to September 30, 2003, 145 PAD's totaling \$128,581 were processed. Also, during this period, \$3.9 million was collected on four audit related claims.

GSA actively pursues delinquent non-Federal claims using installment agreements, salary offset, administrative wage garnishment and any other statutory requirement or authority that is applicable. Through an outside contract arrangement, GSA actively reviews and pursues overpayments, in conjunction with our Public Buildings Service (PBS) and Federal Technology Service (FTS) Accounts Payable Division associates. We are working with the FMS to remove all non-paying claims over two years old from open receivables. This gives us a clearer picture of our outstanding workload and helps us concentrate on collectible receivables. We have implemented a 100-day plan to review delinquent accounts and contact debtors, especially those approaching two years old, on a quarterly basis. A substantial number of these claims have been researched and either collected or written off. We also hold meetings with some of our larger customers, such as the District of Columbia Government and the National Institute for the Blind/National Institute for the Severely Handicapped (NIB/NISH), to discuss and arrange payment of outstanding bills.

## CASH AND PAYMENTS MANAGEMENT

The Prompt Payment Act along with the Debt Collection Improvement Act of 1996 requires the payment of commercial obligations for supplies and services timely using electronic funds transfer (EFT). GSA reviews and modifies, if needed, its procedures continuously to ensure prompt payment utilizing EFT. We have shown marked improvement in the percentage of invoices paid electronically and on time while reducing the percentage paid late and the dollar amount per million disbursed even when the number of invoices paid and the dollars disbursed have increased. The statistics for the preceding three fiscal years is as follows:

In accordance with Public Law 107-300, The Improper Payments Information Act, GSA has begun a risk analysis review to identify and estimate any improper and erroneous payments by business line. This review will position GSA to adequately respond to all requirements within the Public Law and the subsequent guidance issued by the Office of Management and Budget for fiscal year 2004.

GSA's Recovery Audit Program, which identifies overpayments and the failure to take deductions on payments to commercial vendors, was successfully expanded to include a review of the agency's contracting activities.

	FY 2001	FY 2002	FY 2003
Total Number of Invoices Paid	1,169,664	1,197,817	1,298,134
Total Dollars Disbursed	\$14.1 Billion	\$15.9 Billion	\$19.1 Billion
Total Dollars of Interest Penalties	\$1,658,447	\$1,025,381	\$1,690,335
Interest Paid per Million Disbursed	\$122.00	\$105.00	\$95.00
Percentage of Invoices Paid On Time	91%	91%	93%
Percentage of Invoices Paid Late	6%	7%	1%
Percentage of Invoices Paid Electronically	79%	81%	88%

# SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS

## ERRONEOUS PAYMENTS MANAGEMENT

**D**uring FY 2003, GSA began the implementation of Public Law 107-300, The Improper Payments Information Act. The GSA Office of Finance has retained the services of a contractor to conduct a Management Control Review and Improper Payments Information Act of 2002 Review. These reviews will focus on an erroneous payment risk analysis of each GSA business line/program to determine and estimate the amount of potential improper and erroneous payments for each business line/program. The scope of work includes: developing a statistically valid sampling plan to create a population of payments to be analyzed from each business line/program; performing the risk analysis of the sampled accounting transactions and supporting documentation of each business line/program and reporting of findings and recommendations; performing an analysis of the sampled items of each business line/program to determine if it is highly susceptible to erroneous payments; reporting on those business line/programs that are highly susceptible to erroneous payments; estimating the annual amount of erroneous payments in the business lines/programs that are susceptible to significant erroneous payments; developing recommendations to reduce erroneous payments; and recommending acceptable goals to reduce erroneous payments, ways to measure such goals and a reporting mechanism to ensure progress toward the stated goals.

All programs will be statistically sampled to identify programs that are highly susceptible to erroneous payments and that meet the \$10M and 2.5 percent threshold established by OMB. Given our experience at this time, GSA officials don't anticipate any programs meeting the threshold amount. If programs are identified that are subject to significant risk of erroneous payments, GSA will meet with the related program official to develop a plan and target for reducing erroneous payments. A correction action plan will be developed based on knowledge of the accounting processes and systems, impact on overall risk, cost of implementing and maintaining the risk treatment, and the level of effort required to implement and sustain the risk treatment. The risk assessment is expected to be complete by January 2004. The correction action plans, baseline, and improved targets for the next three years will be completed by February 2004. Currently, GSA is not required to report any business lines (programs) under OMB Circular A-11.

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# Appendices





## APPENDIX I: DATA SOURCES

### FINANCIAL DATA SYSTEMS

**PEGASYS:** Pegasys became GSA's official accounting system of record on October 1, 2002. Among many modern features that this COTS solution provides GSA, the functionality of the new Standard General Ledger addresses external reporting requirements and assists in the consolidated federal financial statements. During the first year of full operation Pegasys has facilitated the implementation of a 3 day monthly close. Pegasys also surpasses the legacy system by executing the annual close in 8 workdays.

### DATA FROM LARGE COMPUTER SYSTEMS

**GPDS:** General Services Administration Procurement Data System is a computer-based procurement information system developed to collect and edit GSA procurement data prior to submission to the Federal Procurement Data System (FPDS), and, as the only GSA-wide procurement information system, provides GSA managers at all levels with information on GSA acquisition operations. As GSA's FPDS "feeder system," the GPDS enables FPDS to meet its objectives of collecting, developing, and disseminating data to be used for management, oversight, and evaluation of federal procurement by Congress, the executive branch, and the private sector. GPDS receives data from Comprizon by monthly downloads, System for Tracking and Administering Real Property (STAR) downloads and Pegasys quarterly downloads.

The Federal Procurement Data System (FPDS), which is operated and maintained by the GSA Federal Procurement Data Center, is the central repository of statistical information on federal contracting; it contains detailed information on contract actions over \$25,000 and summary data on procurements of less than \$25,000. The system identifies who bought what, from whom, for how much, when and where for all of the executive departments and agencies.

GSA is in the process of replacing the existing FPDS system and expects to bring the new system on-line by the end of calendar 2003. The new system will be Web-based and is designed to greatly improve the speed and accuracy of government sales data. The new system will address the time lag currently between the close of the fiscal year and the availability of final data for the fiscal year and will provide current quarterly reporting.

**STAR:** The STAR is a Windows based application providing the user direct on-screen access to the database for updating PBS real property data and retrieving this data via standard and ad hoc reports. The STAR system incorporates many industry standard business practices. With the initial implementation of STAR, PBS experienced data accuracy problems resulting from data conversion and staff unfamiliar with the process for maintaining data. To correct the shortcomings of STAR, PBS took a number of positive actions to improve data in real estate and billing systems, maintain data quality and provide accurate information for real estate management.

### DATA FROM MANUAL OR SMALL FEEDER COMPUTER SYSTEMS

**IRIS/PMT:** The Inventory Reporting Information System/Project Manager's Toolbox (IRIS/PMT) is a GSA system used to manage PBS repair and alterations and new construction programs, plus a large number of construction related reimbursable projects. The GSA system is well documented and there are current written procedures for collecting and reporting the data used for the performance measures.

## APPENDIX I: DATA SOURCES

**EUAS:** The Energy Usage and Analysis System (EUAS) gathers utility cost and consumption information from Pegasys. The EUAS Center verifies and tracks data from hard copy utility bills and samples a subset of the building inventory to ensure accuracy and correct billing rates. Regional energy coordinators review monthly billing data and building managers certify data. Utility usages that fall outside of tolerances are reviewed and certified for payment. Discrepancies are reported back to the EUAS center for correction with utility companies. Through these processes, the PBS is confident that the data in the EUAS system is extremely accurate.

**TOPS:** The Telecommunications Ordering and Pricing System (TOPS) is a system, which automates the local telecommunications service business process – including ordering, billing and reconciliation of telecommunications services. The purpose of the system is decreased paperwork, faster processing and increased customer agency satisfaction. TOPS allows federal agencies to order telephone equipment and services on-line on a nationwide basis. This automated systems cuts order handling and processing time and cuts the cost of the entire process of delivering telecommunication products. TOPS is currently undergoing certification and accreditation by the Office of the Chief Information Officer.

**OMIS:** Office of Information Technology Integration Management Information System (OMIS) is an operational system that provides an assortment of project financial capabilities to include project tracking, employee timesheets, project billings, project expense tracking, project fiscal reporting and management tools/reports. OMIS provides Federal Systems Integration and Management Center (FEDSIM) with a means of maintaining basic financial transaction information along with individual time accounting and management reporting capability. In addition, OMIS provides an interface to the GSA system of financial record. OMIS institutionalizes financial standards and methodologies, and provides for the financial management of FEDSIM's increasing business base while providing support directly to FEDSIM's management team, information for FEDSIM Industry Partners and FEDSIM clients. OMIS, in conjunction with TOS, provides a full suite of contracting, finance, and project management capabilities for FEDSIM management, FEDSIM clients and FEDSIM industry partners.

**TOS:** The Tracking and Ordering System (TOS) is an operational system that was developed and implemented in multiple phases. TOS initially supported the creation and processing of Letter Orders, Delivery Order Tracking and electronic invoicing by one vendor. In subsequent phases/upgrades modules and functionality have been added to conform to the natural evolution of FEDSIM's business models. Specific examples include updates to allow for electronic bidding on commodities by vendors, electronic invoicing by all vendors, vendor notification that Delivery Orders have been issued and electronic interfaces to other financial and accounting systems. In particular, FEDSIM personnel have added interfaces with OMIS to facilitate more complete project management. Future upgrades will be based on business model requirements, improved reporting and management requirements, operating efficiencies and customer and business partner requirements.

**ITSS/ITOMS:** IT SolutionsShop /Integrated Task Order Management System (ITSS/ITOMS) provides for electronic acceptance of commodities and services, and computes and posts financial transaction associated with order funding and order payment. ITSS is an on-line procurement system for IT products and services. ITSS electronically links federal clients, vendors, and FTS customer service representatives; it is available 24 hours a day, 7 days a week, for the geographically dispersed federal clients use in ordering IT products and services from their desktops. ITOMS is the financial management system for ITSS orders; it creates the financial transactions sent to the financial system of record, Pegasys.

Both ITSS and ITOMS were developed in response to a critical need to move away from paper-intensive processes. Because of increasing business volume of the IT Solutions business line, the repetitive data entry and redundancy required unacceptable levels of time and effort to reconcile financial records of the regions and central office. Internet based ITSS/ITOMS provides an end-to-end electronic order processing solution that supports FTS staff, customer agencies and vendors. It provides an electronic path for defining, issuing, awarding and monitoring tasks. Both systems are currently undergoing certification and accreditation by the Office of the Chief Information Officer.

**METROPOLITAN AREA ACQUISITION (MAA) STATUS TRACKING TOOL:** The MAA Status Tracking Tool is a Lotus-Notes application. It was designed originally to help with project management in implementing the Metropolitan Area Acquisition, a local telecommunications contract vehicle, which provides greatly reduced rates to federal agencies in metropolitan areas. The tracking tool continues to be used to track new MAA business in the post-implementation environment as well as to generate various workload statistics such as MAA savings to date, the mean time from order issuance to order completion, etc.

**COMMERCIAL ACQUISITION AND SUPPLY OPERATING AND MANAGEMENT INFORMATION SYSTEM (FSS-19) AND THE FEDERAL SUPPLY SCHEDULE COST RECOVERY SYSTEMS:** FSS utilizes both systems for tracking sales data. They are password protected and conform to the GSA Information Security Policies and Procedures. Schedule data is reported quarterly and is verified by site visits to the contractors.

**TRANSPORTATION ACCOUNTS RECEIVABLE AND PAYABLE SYSTEMS (TARPS):** TARPS provides performance data for measures aimed at cost recoveries resulting from audits of Federal Supply Service transportation billings.

**REQUISITIONING, ORDERING AND DOCUMENTATION SYSTEM (ROADS):** Captures contract pricing for vehicles for FSS. Security for this system is maintained by limited access and password protection.

**FEDERAL DISPOSAL SYSTEM (FEDS):** Data for FSS transferred and donated property is obtained from this system.

**FEDERAL SUPPLY SERVICE SALES AUTOMATION SYSTEM:** Data for sales proceeds is obtained from this system.

### BENCHMARK DATA FROM EXTERNAL SOURCES

**BOMA:** The industry benchmarks are from the Building Owners and Managers Association (BOMA). BOMA is an advocacy group for the real estate industry, a federation of 94 local associations whose members own or manage more than 6 billion square feet of downtown or commercial properties and facilities across the United States. BOMA is recognized for its expertise in the field of real property, frequently testifying before Congress and working with property holding agencies. The Experience Exchange Report is a database that contains building operations statistics on more than 4,000 buildings throughout the United States. It is used extensively in the private sector and it is an accurate source for industry operating data that is comparable to that of PBS.

## APPENDIX I: DATA SOURCES

**SIOR:** Industry benchmark data is obtained from the Society of Industrial and Office Realtors (SIOR). SIOR is a commercial network and its publications are valuable tools in determining current trends and market rates from which GSA can benchmark. Member professionals, who work in each reported market, develop the market information used by SIOR. However, the regions have the option to use other market sources if the SIOR data no longer reflects local market conditions, or are unavailable for a market.

**LMI:** The Logistics Management Institute (LMI) is a private non-profit organization that provides management consulting, research, and analysis to governments and other non-profit organizations. LMI's participation as a data provider expands PBS's effort to validate STAR data. LMI employs several filters and data verification methods after preliminary results are collected from STAR. Regional offices are given the opportunity to re-check the final posted data for inaccuracies. The resulting lease data that is collected is valid with a reasonable degree of certainty.

### DATA OBTAINED UNDER CONTRACT

**GALLUP:** Customer satisfaction measures for the Public Buildings Service are all compiled and processed by the Gallup organization. The Gallup Organization has been the world leader in the measurement and analysis of people's attitudes, opinions and behavior for over 60 years. The statistical confidence level of the data obtained from Gallup is 95 percent. As a result of this professional assistance, the level of confidence in this data is very high. There is every assurance that the customer satisfaction information is credible and that it is verifiable and valid. Also, the customer satisfaction measures have been audited within the last three years.

Gallup also conducts employee engagement surveys for all of GSA. The Gallup Q12 survey measures associate attitudes to differentiate the top-performing workplaces from the average and low-performing ones. This is accomplished by the administration of an agency-wide survey that has been professionally designed and validated and that asks associates to respond to questions that most closely capture their perceptions of their workplace environments, thereby deducing what is defined as associate engagement. Gallup is encouraging users of the Q12 survey to move away from percentile comparisons, and are no longer providing us with percentile information.

**MITRETEK SYSTEMS:** The periodic comparisons of commercial rates and those charged customers under the FTS2001 telecommunications programs are performed by Mitretek. Mitretek has developed specialized computer models to analyze telecommunications costs.

## APPENDIX II: SUMMARY CHART OF GOALS AND MEASURES

GSA embarked on an aggressive performance improvement initiative in FY 2003. It revisited existing performance goals and measures and carefully refined them and in some cases added to them to help better manage its business goals. In this report, actual performance was measured against the performance measures and targets in the *FY 2004 Performance Plan*, not the *FY 2003 Performance Plan* itself. Dollars in million (M).

PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL	RESULTS
<b>PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS</b>							
Improve annual ordering official satisfaction. <b>PBS</b>	Percent of ordering officials that are highly satisfied in their business dealings with PBS.	N/A	59%	66%	68%	72%	Goal Met
Improve customer satisfaction level in owned space surveyed. <b>PBS</b>	Percent of tenants that rate PBS-owned and operated services as satisfactory or better.	83%	84%	85%	85%	89%	Goal Met
Keep the cost for new GSA leased office space at or below each of the four market ranges being tracked. <b>PBS</b>	Cost for leased space relative to the market. (weighted average for 4 categories)	N/A	11.0%	14.0%	14.25%	7.41%	Goal Not Met
Improve customer satisfaction level in leased space surveyed. <b>PBS</b>	Percent of customer satisfaction in leased space tenants.	80%	82%	84%	85%	89%	Goal Met
Improve customer satisfaction scores. <b>PBS</b>	Realty services satisfaction survey.	N/A	N/A	N/A	70%	85%	Goal Met
Maintain a 90% tenant satisfaction rating in newly constructed buildings. <b>PBS</b>	Improve customer satisfaction in newly constructed buildings.	86%	89%	90%	90%	90%	Goal Met
Increase value to the customer; provide creative solutions, innovative services and products. <b>FSS</b>	Growth in Federal agency usage of FSS programs.	\$22.5B 27.8%	\$22.6B 0.5%	\$27.3B 20.8%	\$28.3B 3.66%	\$33.8B 23.8%	Goal Met
Increase customer satisfaction, indicating progress in service delivery at best value. <b>FTS</b>	Percent of customers indicating satisfaction on annual customer survey.	76%	N/A	73.6%	75%	79.5%	Goal Met
Foster competition to benefit federal agencies by promoting quality services at lower prices. <b>FTS</b>	Percent of task and delivery orders subject to fair opportunity process.	N/A	70%	70%	80%	86%	Goal Met
Assist customers in achieving savings in the acquisition of products and services. (Network Services - Long Distance)  <b>FTS</b>	Cumulative cost savings below commercial discounted services.	N/A	N/A	\$32.8M	\$543.5M	\$574.1M	Goal Met
	SVS			\$32.8M	\$186.5M	\$184.0M	
	DTS				\$171.0M	\$143.4M	
	FRS				\$142.0M	\$179.7M	
	ATM				\$42.0M	\$44.4M	
	IPS				\$2.0M	\$22.6M	

# APPENDIX II: SUMMARY CHARTS OF GOALS AND MEASURES

PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL	RESULTS
<b>PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS</b> <i>continued</i>							
Assist customers in achieving savings in the acquisition of products and services. (Network Services – Regional Telecommunications) <b>FTS</b>	Cost savings in major metro areas.	\$ .25M	\$3.0M	\$33.5M	\$46.0M	\$42.1M	Goal Not Met
Ensure adoption of Federal Premier Lodging Program (FPLP) within the 77 target markets to meet federal travelers' needs, reducing overall government spending. <b>OGP</b>	Dollar savings to government over corporate rate.	N/A	N/A	\$5.03M	\$24.8M	\$33.6M	Goal Met
Move federal agencies to commercial payment processes for mail to drive agencies to be more strategic in their operations. (percent) <b>OGP</b>	Percent of federal mail payments to USPS through commercial processes.	16%	15%	17%	20%	16%	Goal Not Met
Move federal agencies to commercial payment processes for mail to drive agencies to be more strategic in their operations. (dollars) <b>OGP</b>	Dollar value of payments to USPS made through commercial processes.	N/A	N/A	\$165M	\$190M	\$163.6M	Goal Not Met
Expand use of performance-based contracting to increase government efficiency. <b>OGP</b>	Percent of GSA contract dollars reported as performance-based contracts.	N/A	15%	9%	30%	24%	Goal Not Met
Support authentication needs for eGov initiatives. <b>OGP</b>	Number of eGov initiatives with completed authentication needs assessment and determined solution sets.	N/A	N/A	6	22	13	Goal Not Met
	Number of eGov initiatives using the gateway or common solution.	N/A	N/A	2	6	3	Goal Not Met
Facilitate the consistent use of XML for federal eGov initiatives. <b>OGP</b>	Number of eGov initiatives adopting XML recommendations.	N/A	N/A	3	5	9	Goal Met
Increase the number of agency programs using OGP-facilitated performance measures. <b>OGP</b>	Number of agency programs that use OGP-facilitated performance measures.	58	218	380	330	398	Goal Met
Develop a single government face to citizens who need timely and consistent responses & information about government programs & enable the federal government to become more citizen-centric. <b>OCSC</b>	Enhanced communication channels available government-wide.	N/A	N/A	N/A	1 basic e-mail system	4	Goal Met
	Agency participation in signed Partnership Agreements (PA) and Reimbursable Agreements (RA).	N/A	N/A	N/A	10 PA 3 RA	10 PA 3 RA	Goal Met

PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL	RESULTS
<b>PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS</b> <i>continued</i>							
Increase access to government for all audiences. <b>OCSC</b>	Number of multi-channel contacts with public per year.	23.2M	40.8M	59.1M	144.0M	209.7M	Goal Met
Provide expertise to improve Web site development and achieve common shared solutions for eGov initiatives. <b>OCSC</b>	Tax dollars saved by Federal agencies as of result of shared Web infrastructure and services.	N/A	N/A	\$9M	\$18M	\$21M	Goal Met
Participate formally in the governance structure of all eGov and Homeland Security initiatives that have State/local implications. <b>OCSC</b>	Number of eGov initiatives with state/local implications that the Office of Intergovernmental Solutions is part of the governance structure.	N/A	N/A	N/A	6 of 12	6 of 12	Goal Met
	Desired level of state, local and international participation in Federal IT projects.	N/A	N/A	N/A	75%	92%	Goal Met
Improve position of GSA as valuable information resource for all audiences. <b>OCSC</b>	Process improvements and management reforms implemented.	N/A	N/A	57%	93%	93%	Goal Met
	Number of GSA.gov Web site page views.	N/A	N/A	34M	37M	45M	Goal Met
Meet OMB targets for study and/or direct conversion of commercial FTE's as reported on GSA FAIR Act Inventory. <b>OPI</b>	Number of FTE positions studied. Dollars saved.	N/A	N/A	398 FTE \$2.185M	703 FTE \$1.905M	1,122 FTE N/A	Goal Met
<b>ACHIEVE RESPONSIBLE ASSET MANAGEMENT</b>							
Reduce the cost escalation rate for repair and alterations projects to 1%. <b>PBS</b>	Percent of cost escalation on repair and alteration projects.	N/A	(1%)	3%	1%	0.5%	Goal Met
Increase overall potential revenue. <b>PBS</b>	Percent of potential revenue received.	N/A	92.4%	92.7%	93.0%	93.8%	Goal Met
Increase Funds from Operations. <b>PBS</b>	Funds from Operations.	\$1.18B	\$1.35B	\$1.39B	\$1.44B	\$1.48B	Goal Met
Reduce the amount of non-revenue producing space to 10.4% in the government owned inventory in FY 2004. <b>PBS</b>	Percent of non-revenue producing space in government owned inventory.	12.2%	11.8%	11.8%	11.5%	11.1%	Goal Met
Reduce the amount of non-revenue producing space in the leased inventory. <b>PBS</b>	Percent of non-revenue producing space in leased inventory.	3.3%	2.7%	3.1%	3.0%	2.1%	Goal Met
Increase the percentage of government-owned assets with an ROI of at least 6%. <b>PBS</b>	Percent of government-owned assets with an ROI of at least 6 percent.	N/A	N/A	54%	62%	64%	Goal Met

## APPENDIX II: SUMMARY CHARTS OF GOALS AND MEASURES

PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL	RESULTS
<b>ACHIEVE RESPONSIBLE ASSET MANAGEMENT <i>continued</i></b>							
Increase the percentage of government-owned assets achieving a positive FFO (Funds from Operations). <b>PBS</b>	Percent of government-owned assets achieving a positive FFO.	N/A	N/A	74%	82%	73%	Goal Not Met
Provide a secure IT environment. <b>CIO</b>	Percent of high-risk vulnerabilities resolved within the 30-day of report.	N/A	N/A	83%	100%	100%	Goal Met
<b>OPERATE EFFICIENTLY AND EFFECTIVELY</b>							
Provide cleaning services in office and similarly serviced space at a cost of 3.9% below private sector benchmarks. <b>PBS</b>	Cleaning costs in office and similarly serviced space.	N/A	5%	5%	4%	1.3%	Goal Not Met
Provide maintenance services in office and similarly serviced space at a cost of 3% or more below private sector benchmarks. <b>PBS</b>	Maintenance costs in office and similarly serviced space.	N/A	7%	7%	6%	6%	Goal Met
Provide utilities in office and similarly serviced space at a cost of 30% or more below private sector benchmarks. <b>PBS</b>	Utility costs in office and similarly serviced space.	N/A	30%	34%	32%	30%	Goal Not Met
Increase the percentage of construction projects on schedule to 84% in FY 2004. <b>PBS</b>	Percent of construction projects completed on schedule.	N/A	75%	78%	80%	68%	Goal Not Met
Reduce the cost escalation rate for construction projects. <b>PBS</b>	Percent of escalation on prospectus projects.	N/A	6%	7%	4%	.6%	Goal Met
All new buildings to be LEED certified. <b>PBS</b>	Improve percentage of new buildings LEED registered.	N/A	N/A	N/A	100%	15%	Goal Not Met
Improve the percentage of repair and alteration projects on schedule to 84% in FY 2004. <b>PBS</b>	Percent of R&A construction projects on schedule.	N/A	75%	87%	83%	79%	Goal Not Met
Reduce operating costs. <b>FSS</b>	Operating cost per \$100 business volume.	\$1.88	\$2.20	\$1.76	\$1.73	\$1.47	Goal Met
Provide timely and effective telecommunications service. <b>FTS</b>	Average number of days to complete contract modifications for FTS2001 and for crossover.	N/A	N/A	FTS - 35 Xover 38	FTS - 36 Xover -54	FTS - 25 Xover 19	Goal Met

PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL	RESULTS
<b>OPERATE EFFICIENTLY AND EFFECTIVELY</b> <i>continued</i>							
Improve acquisition processes and methods to reduce time to award for local telecommunications. <b>FTS</b>	Average number of days to complete contract modifications.	N/A	N/A	43	60	38	Goal Met
Provide timely and effective service delivery. <b>FTS</b>	Percent of time negotiated completion date for local network service is met or bettered.	N/A	N/A	N/A	85%	90%	Goal Met
Improve acquisition processes and methods to reduce time to award task orders for IT solutions. <b>FTS</b>	Percent of negotiated award dates for services and commodities that are met or bettered.	N/A	N/A	91%	90%	91%	Goal Met
Provide competitive prices to customers. <b>FTS</b>	Percent of dollar savings between Independent Government Cost Estimates (IGCE) and award amounts.	N/A	N/A	5.5%	6%	7.3%	Goal Met
Improve clarity of OGP policies, regulations and guidelines to increase efficiency of government management and operations. <b>OGP</b>	Number of significant regulations and guidelines updated.	N/A	3	20	38	101	Goal Met
Increase sharing of management systems to allow for better decision-making, accountability and cost avoidance. <b>OGP</b>	Number of agency programs that use OGP shared management systems to support decision-making.	N/A	N/A	378	191	386	Goal Met
Implement President's Management Agenda for competitive sourcing (identifying and competitively sourcing or directly converting commercial functions). <b>OGP</b>	Percent of OGP Fair Act inventory competed or directly converted.	N/A	N/A	0%	10%	31%	Goal Met
Increase the percentage of vendor invoices received by Electronic Data Interchange through the Internet. <b>CFO</b>	Percent of electronic invoices received.	12%	24%	38%	50%	44%	Goal Not Met
Increase the percentage of vendor payments by electronic media such as EFT and purchase card. <b>CFO</b>	Percent of invoices paid electronically.	71%	79%	79%	81%	88%	Goal Met

## APPENDIX II: SUMMARY CHARTS OF GOALS AND MEASURES

PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL	RESULTS
<b>OPERATE EFFICIENTLY AND EFFECTIVELY</b> <i>continued</i>							
Improve Capital Planning and Investment control and implementation process. <b>CIO</b>	Percent of major IT investment projects that are within 10% of planned cost and schedule.	N/A	N/A	82%	100%	87%	Goal Not Met
Improve Capital Planning and Investment control and implementation for the 5 GSA led eGov initiatives. <b>CIO</b>	Percent of the major 5 GSA led eGov initiatives IT investment projects that are within 10% of planned cost and schedule.	N/A	N/A	60%	100%	60%	Goal Not Met
Provide secure, reliable and cost effective IT infrastructure services. <b>CIO</b>	Percent of customer satisfaction.	N/A	N/A	84%	95%	86%	Goal Not Met
<b>ENSURE FINANCIAL ACCOUNTABILITY</b>							
Ensure accurate forecasting and cost management to leverage operations and optimize pricing. <b>FSS</b>	Planned vs. Actual Cost.	2.38%	0.16%	7.15%	0% +/- 3%	5%	Goal Not Met
■ Includes direct operating expense, procurement support, supply distribution and rent.	Direct cost as percent of revenue (revenue is total sales figure).	7.9%	7.6%	6.9%	7.3%	6.7%	Goal Met
■ Includes all costs of operations, prior year adjustments and depreciation.	Total cost as percent of revenue.	94.8%	97.1%	97%	97%	97%	Goal Met
Increase business volume. <b>FTS</b>	Percent of growth in business. (revenue)	N/A	N/A	14.6%	9.1%	22.5%	Goal Met
Achieve net operating results to increase retained earnings in IT fund for future capital investment. <b>FTS</b>	Net Operating Results.	N/A	N/A	\$34.01M	\$14.96M	\$0.92M	Goal Not Met
Implement business process efficiencies to reduce cost of delivering products. <b>FTS</b>	Direct Operating Expenses as a percent of Gross Margin.	N/A	N/A	59%	49%	64.4%	Goal Not Met
Ensure full cost recovery of operations. <b>FTS</b>	Contribution Index.	N/A	N/A	1.58	1.09	1.06	Goal Not Met
Meet all requirements to maintain a clean opinion on GSA's financial statements. <b>CFO</b>	Receive clean opinion on financial statements.	100%	100%	100%	100%	100%	Goal Met

PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL	RESULTS
<b>ENSURE FINANCIAL ACCOUNTABILITY</b> <i>continued</i>							
Eliminate material weaknesses for financial and non-financial components under FMFIA. <b>OCFO</b>	Zero internal control material weaknesses. (financial and non-financial components)	0	0	0	0	0	Goal Met
<b>MAINTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE</b>							
Improve customer productivity scores. <b>PBS</b>	Improve Realty Transaction Survey, Productivity.	N/A	N/A	N/A	67%	62%	Goal Not Met
Recruit, hire, develop and retain a highly skilled workforce. <b>FTS</b>	Percent of IDPs updated annually and documented.	N/A	N/A	81%	90%	87%	Goal Not Met
	Average number of training hours completed in mission critical areas of acquisition, technology, business and project management.	N/A	N/A	38	50	42	Goal Not Met
Achieve 55th percentile ranking in the Gallup Q12 Survey. <b>OGP</b>	Performance ranking in the Gallup Q12 Survey.	N/A	34th Percentile	63rd Percentile	55th Percentile	74th Percentile	Goal Met
Increase participation at OGP supported educational venues and activities to increase workforce efficiency. <b>OGP</b>	Number of participants at OGP supported educational venues and activities.	N/A	N/A	47,500	38,000	48,995	Goal Met
Develop a competency-based assessment process for GSA acquisition workforce. <b>OGP</b>	Number of GSA 1102s who complete competency assessment process.	N/A	N/A	N/A	250	159	Goal Not Met
	Percent of GSA 1102's who fully qualify under Clinger Cohen.	N/A	N/A	24%	35%	38%	Goal Met
Improve the value of GSA's OnLine University. <b>OCPO</b>	Percent Increase registrations.	2276 Baseline	182%	18%	15%	-36%	Goal Not Met
*Develop and implement strategies to address skill gaps in Mission Critical Occupations (MCO). <b>OCPO</b>	Reduce Gaps in MCO's.	N/A	N/A	N/A	4	4	Goal Met
Rank in the 75th percentile in the Gallup Q12 survey. <b>OCPO</b>	Increase grand total mean score from the 67th to the 75th percentile.	N/A	N/A	67TH	67th	75th	Goal Met
Develop a stronger linkage between organizational and individual performance. <b>OCPO</b>	Develop new performance appraisal system linking appraisals to performance metrics.	N/A	N/A	N/A	100% Execs	100% Execs	Goal Met

\* This measure reflects overall program performance. It is the only measure counted in the determination of whether GSA meets the GSA-wide goal. Numbers presented in the FY 2003 Actual column are preliminary and subject to verification within GSA as well as by the Small Business Administration.

## APPENDIX II: SUMMARY CHARTS OF GOALS AND MEASURES

PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ACTUAL	FY 2003 TARGET	FY 2003 ACTUAL	RESULTS
<b>CARRY OUT SOCIAL, ENVIRONMENTAL AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY</b>							
Improve energy reduction in standard facilities to 27.5% below the FY 1985 baseline in FY 2004. <b>PBS</b>	Percent of reduction in energy consumption from FY 1985 baseline.	20%	18.4%	22.5%	25.0%	18.6%	Goal Not Met
Increase customer agency support of government-wide socioeconomic goals. <b>FSS</b>	Percent of socioeconomic business volume.	30.55%	33.10%	33.73%	33%	33.24%	Goal Met
Achieve and maintain an appropriate level of procurements with small business. <b>FTS</b>	Percent of procurements with small business as compared to total prime contracts.	36%	30%	37%	31%	35%	Goal Met
Provide accessible vendor product information to federal agencies to support Section 508 procurement requirements to achieve an IT environment accessible to all citizens. <b>OGP</b>	Number of vendors with templates on the "Buy Accessible" database.	N/A	22	320	400	520	Goal Met
Work with OPM to increase percent of federal employees who telework. <b>OGP</b>	Percent of federal employees who telework.	N/A	2.6%	4.2%	5.0%	5.0%	Goal Met
Disseminate strategic information messages to all audiences. <b>OCSC</b>	Move strategic messages to industry standards.	N/A	N/A	N/A	33% Positive 33% Neutral 33% Negative	28.7% Positive 65.8% Neutral 5.5% Negative	Goal Met
Meet or exceed goal of providing contracting opportunities to small businesses. <b>OSBU</b>	Achieve or exceed GSA-wide small business procurement goals.	40.3%	40.1%	44.35%	40.0%	TBD	TBD

## APPENDIX III: ACRONYMS AND ABBREVIATIONS

<b>3GS</b>	3rd Generation System
<b>AAPC</b>	Accounting and Auditing Policy Committee
<b>ACSEC</b>	Accounting Standards Executive Committee
<b>ADP</b>	Automated Data Processing
<b>AICPA</b>	American Institute of Certified Public Accountants
<b>ALC</b>	Applied Learning Center
<b>ATM</b>	Asynchronous Transfer Mode
<b>BCA</b>	Board of Contract Appeals
<b>BOMA</b>	Building Owners and Managers Association
<b>BPA</b>	Blanket Purchase Agreement
<b>BRM</b>	Business Reference Model
<b>CFO</b>	Chief Financial Officer
<b>CHCO</b>	Chief Human Capital Officer
<b>CIO</b>	Chief Information Officer
<b>CONUS</b>	Continental United States
<b>COTS</b>	Commercial off the shelf
<b>CRM</b>	Customer Relationship Management
<b>CSBR</b>	Combining Statement of Budgetary Resources
<b>CSRS</b>	Civil Service Retirement System
<b>DHS</b>	Department of Homeland Security
<b>DMIS</b>	Defense Medical Information System
<b>DOD</b>	Department of Defense
<b>DOJ</b>	Department of Justice
<b>DOL</b>	Department of Labor
<b>DTS</b>	Dedicated Transmission Service

## APPENDIX III: ACRONYMS AND ABBREVIATIONS

<b>eAcquisition</b>	Electronic Acquisition
<b>eApplication</b>	Electronic Application
<b>eAuthentication</b>	Electronic identity proofing of individuals and businesses, based on risk of online services used
<b>eBooks</b>	Electronic Books
<b>eBuy</b>	A Web-based tool that facilitates the RFQ for services and products offered by GSA Federal Supply Contractors
<b>EDI</b>	Electronic Data Interchange
<b>eDSL</b>	Enterprise Digital Subscriber Line
<b>eFile</b>	IRS electronic filing system
<b>EFT</b>	Electronic Fund Transfer
<b>eGov</b>	Electronic Government
<b>eGrants</b>	Electronic Grant application
<b>EHRI</b>	Enterprise Human Resources Integration
<b>EIT</b>	Electronic information technology
<b>eLearning</b>	Web-based training courses
<b>eLibrary</b>	Online source for GSA and VA Federal Supply Schedule contract award information
<b>E-RA</b>	eAuthentication Risk Assessment
<b>eRulemaking</b>	Provides the ability for citizens and small businesses to participate in the federal rulemaking process via the Web
<b>eSystems</b>	Electronic Systems
<b>eTravel</b>	A Web-based service for travel planning and authorization of reimbursement
<b>EUAS</b>	Energy Usage and Analysis System
<b>EuroUSN</b>	United States Navy based in Europe
<b>eVital</b>	System for common electronic processing of birth and death record information.
<b>FAC</b>	Federal Acquisition Counsel
<b>FAIR</b>	Federal Activities Inventory Reform
<b>FAIRS</b>	Federal Aviation Interactive Reporting Systems
<b>FAQ</b>	Frequently Asked Questions
<b>FAR</b>	Federal Acquisition Regulations
<b>FASAB</b>	Federal Accounting Standards Advisory Board
<b>FASB</b>	Financial Accounting Standards Board

<b>FBF</b>	Federal Building Fund
<b>FCIC</b>	Federal Citizen Information Center
<b>FCICF</b>	Federal Consumer Information Center Fund
<b>FECA</b>	Federal Employees Compensation Act
<b>FedBizOpps</b>	Federal Business Opportunities
<b>FedCIRC</b>	Federal Computer Incident Response Center
<b>FEDS</b>	Federal Disposal System
<b>FEDSIM</b>	Federal Systems Integration and Management Center
<b>FERS</b>	Federal Employees Retirement System
<b>FFB</b>	Federal Financing Bank
<b>FFMIA</b>	Federal Financial Management Improvement Act
<b>FFO</b>	Funds From Operations
<b>FICA</b>	Federal Insurance Contribution Act
<b>FMFIA</b>	Federal Manager's Financial Integrity Act
<b>FMS</b>	Financial Management Service
<b>FOIA</b>	Freedom of Information Act
<b>FPDS</b>	Federal Procurement Data Base
<b>FPLP</b>	Federal Premier Lodging Program
<b>FPS</b>	Federal Protective Service
<b>FRS</b>	Frame Relay Service
<b>FSRM</b>	Federal Security Risk Manager
<b>FSS</b>	Federal Supply Service
<b>FSS-19</b>	Commercial Acquisition and Supply Operating and Management Information System
<b>FTE</b>	Full-Time Equivalency
<b>FTS</b>	Federal Technology Service
<b>FY</b>	Fiscal Year
<b>G2G</b>	Government to Government
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GAO</b>	General Accounting Office
<b>GISRA</b>	Government Information Security Reform Act
<b>GPDS</b>	General Services Administration Procurement Data System
<b>GPRA</b>	Government Performance and Results Act
<b>GSA</b>	General Services Administration

## APPENDIX III: ACRONYMS AND ABBREVIATIONS

<b>GSF</b>	General Supply Fund
<b>GT</b>	Georgia Institute of Technology
<b>GWAC</b>	Government-wide Acquisition Contract
<b>HAVA</b>	Help America Vote Act
<b>HAZMAT</b>	Hazardous Materials
<b>HR</b>	Human Resource
<b>HUBZone</b>	Historically Underutilized Business Zones
<b>IAE</b>	Integrated Acquisition Environment
<b>ICD</b>	Interagency Contracts Directory
<b>IDP</b>	Individual Development Plan
<b>IFF</b>	Industrial Funding Fee
<b>IGCE</b>	Independent Government Cost Estimate
<b>IPS</b>	Internet Protocol Service
<b>IRIS/PMT</b>	Inventory Reporting Information System/Project Manager's Toolbox
<b>IRMCO</b>	Interagency Resources Management Conference
<b>IRS</b>	Internal Revenue Service
<b>IT</b>	Information Technology
<b>ITF</b>	Information Technology Fund
<b>ITIPS</b>	Information Technology Investment Portfolio System
<b>ITOMS</b>	Integrated Task Order Management System
<b>ITS</b>	IT Solutions
<b>ITSS</b>	IT Solutions Shop
<b>LEED</b>	Leadership in Energy and Environmental Design
<b>LLP</b>	Limited Liability Partnership
<b>LMI</b>	Logistics Management Institute
<b>MAA</b>	Metropolitan Area Acquisition
<b>MAC</b>	Multiple Award Contract
<b>MAS</b>	Multiple Award Schedule
<b>MCO</b>	Mission Critical Occupation

<b>MD &amp; A</b>	Management Discussion and Analysis
<b>MFC</b>	Most-favored customer
<b>MOA</b>	Memorandum of Agreement
<b>MOBIS</b>	Management, Organizational & Business Improvement Services
<b>MOSAIC</b>	Multipurpose Occupational Systems Analysis Inventory – Closed-Ended
<b>N/A</b>	Not Available
<b>NARA</b>	U.S. National Archives and Records Administration
<b>NCC</b>	National Contact Center
<b>NEAR</b>	National Electronic Accounting and Reporting
<b>NIB/NISH</b>	National Institute for the Blind/National Institute for the Severely Handicapped
<b>NOR</b>	Net Operating Results
<b>OASDI</b>	Old-Age, Survivors and Disability Insurance
<b>OCFO</b>	Office of Chief Financial Officer
<b>OCIA</b>	Office of Congressional and Intergovernmental Affairs
<b>OCIO</b>	Office of Chief Information Officer
<b>OCPO</b>	Office of Chief People Officer
<b>OCSC</b>	Office of Citizen Services and Communications
<b>OE</b>	Operating Expenses
<b>OFPP</b>	Office of Federal Procurement Policy
<b>OGC</b>	Office of General Counsel
<b>OGP</b>	Office of Governmentwide Policy
<b>OIG</b>	Office of Inspector General
<b>OIRA</b>	Office of Information and Regulatory Affairs
<b>OIS</b>	Office of Intergovernmental Solutions
<b>OLU</b>	On-line University
<b>OMAS</b>	Official Mail Accounting System
<b>OMB</b>	Office of Management and Budget
<b>OMIS</b>	Office of Information Technology Integration Management Information System
<b>OPI</b>	Office of Performance Improvement
<b>OPM</b>	Office of Personnel Management
<b>OSBU</b>	Office of Small Business Utilization

## APPENDIX III: ACRONYMS AND ABBREVIATIONS

<b>PA</b>	Partnership Agreements
<b>PAD</b>	Pre-Authorized Debits
<b>PADC</b>	Pennsylvania Avenue Development Corporation
<b>PART</b>	Program Assessment Rating Tool
<b>PBC</b>	Performance Based Contracting
<b>PBS</b>	Public Building Service
<b>PBSA</b>	Performance Based Service Actions
<b>PBX</b>	Private Branch Exchange
<b>PIB</b>	Procurement Information Bulletin
<b>PKI</b>	Public Key Infrastructure
<b>PMA</b>	President's Management Agenda
<b>PMP</b>	Performance Management Process
<b>PMT</b>	Performance Measurement Tool
<b>PWC</b>	PricewaterhouseCoopers
<b>Q &amp; A</b>	Question and Answers
<b>R &amp; A</b>	Repair and Alteration
<b>RA</b>	Reimbursable Agreements
<b>RFQ</b>	Request for Quote
<b>RISC</b>	Regulatory Information Services Center
<b>ROADS</b>	Requisitioning, Ordering and Documentation System
<b>ROCIS</b>	RISC/OIRA Consolidated Information System
<b>ROE</b>	Return on Equity
<b>ROI</b>	Return on Investment
<b>RRB</b>	Ronald Reagan Building
<b>SAFECOM</b>	Initiative to address the need for better technology and network systems
<b>SBA</b>	Small Business Administration
<b>SBU</b>	Small Business Utilization
<b>SDLC</b>	Systems Development Life Cycle
<b>SFFAS</b>	Statement of Federal Financial Accounting Standards
<b>SGL</b>	Standard General Ledger

<b>SIOR</b>	Society of Industrial and Office Realtors
<b>SOP</b>	Standard Operating Procedure
<b>SSA</b>	Social Security Administration
<b>SSO</b>	Services and Staff Offices
<b>STAR</b>	System for Tracking and Administering Real Property
<b>SVS</b>	Switch Voice Service
<b>TARPS</b>	Transportation, Accounts Receivable and Payable Systems
<b>TBD</b>	To Be Determined
<b>TMC</b>	Travel Management Centers
<b>TOPS</b>	Telecommunications Ordering and Pricing System
<b>TOS</b>	Tracking and Ordering System
<b>TSP</b>	Thrift Savings Plan
<b>USAF</b>	United States Air Force
<b>USPS</b>	United States Postal Service
<b>VERA</b>	Voluntary Early Retirement Authority
<b>VSIP</b>	Voluntary Separation Incentive Payment
<b>VTC</b>	Video Conferencing
<b>WCF</b>	Working Capital Fund
<b>WCW</b>	World Class Workforce
<b>XML</b>	Extensible Markup Language



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